



NEWCASTLE MUNICIPALITY



**ANNUAL BUDGET
2012/13 TO 2014/15**

DEFEND, CONSOLIDATE AND ADVANCE!!!

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MAYOR'S REPORT

MAYORAL 2012/2013 BUDGET SPEECH:

Honorable Speaker, Cllr MF Zikhali

Her worship, the Mayor of Amajuba District Municipality, Cllr Jabu Khumalo

Chairperson of the ANC eMalahleni Region Arthur Zwane

Secretary of the Region, Ntokozo Mhlungu

Honorable Mayors of Dannhouser and Emadlangeni

Deputy Mayor of Newcastle Cllr Rachel Mdluli

Deputy Mayors and Speakers of other Municipalities

Members of the Executive Committee of Newcastle

Councillors present

Amakhosi and Izinduna present

Abafundisi

Abelaphi bendabuko

Members of the media

Ward Committee Members and all protocol observed

Ladies and Gentlemen present here this evening and to those of you listening in their homes

Good evening to you all

Honourable Speaker, this State of the Municipal Address and Budget speech takes place during a very significant year in the history of our country, a year of the centenary of the ruling party, the African National Congress.

In marking this occasion we are recognizing the work of all South Africans in bringing about a truly free, non-racial, non-sexist, democratic and prosperous country.

We wish to single out the former Presidents of the ANC who led our struggle for liberation and of

creating a better life across generations. We salute John Langalibalele Dube, Sefako Makgatho, Zac Mahabane, Josiah Gumede, Pixley ka Isaka Seme, AB Xuma, JS Moroka, Chief Albert Luthuli, Oliver Tambo, Nelson Mandela and Thabo Mbeki. We also pay tribute to our current President of the ANC and the Republic of South Africa, the Honourable Jacob Zuma.

We congratulate the ANC on achieving this milestone!!

President Jacob Zuma outlined his program of action in the State of the Nation Address last month. His vision for the future is abundantly clear: “We want to have a country where millions more South Africans have decent employment opportunities, which has a modern infrastructure and vibrant economy and where the quality of life is high.” Nathi sivumelana naye.

Lesi sabelozimali, Honourable Speaker, should reflect the collective determination of the Municipality to address with energy the challenges of creating jobs, reducing poverty, building infrastructure and expanding our economy. The Budget sets out a financial framework for implementing this vision, a framework that is sound and sustainable. It recognizes that building our townships and maintaining our suburbs is a multi-decade project that must invigorate our capacity to grow, and must include all our people in that growth.

A towering leader of our movement, Walter Sisulu, wrote from his prison cell in Robben Island, “In a certain sense, the story of our struggle is a story of problems arising and problems being overcome. It is understandable that many of the problems should generate much controversy and emotion. However cool and detached we may strive to be in our analysis, the fact remains that we are deeply involved and interested parties and the solutions we adopt are solutions we ourselves have to implement.”

We will not turn away from our challenges. We must confront them boldly, and with hope. In harnessing all the resources at our disposal, we have to do more, with less; we have to work smarter and harder.

Lesisabelo zimali sets us on a path, Honourable Councillors, that will be neither easy nor uncontested – hard work and difficult choices lie ahead, kodwa umzabalazo usaqhubeka. We have embarked on this journey in 2009 when we took the collective decision to reform our budget, and accelerate our capital projects, and we called it **SPEEDING UP CHANGE!**

Freedom from poverty, freedom from need, freedom to exercise our talents and thrive as individuals, freedom to work together as communities, as organized social formations, as business enterprises, as a proud and forward looking city.

This Budget is about making Newcastle work **SMARTER, HARDER and FASTER!**

This Council has just been through a rather difficult and painful adjustment budget process, which it approved at the end of February with great consternation and uncertainty.

The mid-year review showed some departments to be grappling with implementing our capital programmes of projects that have been under budgeted for, and worse still, of projects that have been started and not completed!

It was seriously a time for introspection, a time to put our minds together. Members of this Council were surprised when I received praise from the official opposition in that meeting for being transparent and open about our problems and shortcomings.

The opposition was convinced that we would try and hide these mistakes and sweep the problems under the proverbial carpet. We did not do this, for the simple reason that we will be naive to believe that we can run this town on our own, as I have said many times on many podiums. Ruling party or opposition, we serve the same community, but more especially, we LIVE in the same communities. It is in our's and everyone's interest that we put our minds together and come up with solutions to the problems facing us.

In reflecting on commitments made in last year's budget, we can point to progress on several fronts, and we will still be pledging our commitment to completing the majority of projects by June 2012.

With that being said, Honourable Speaker, our new budget is basically a consolidation of the previous budgets, making sure that **all projects** promised by myself and Councillors are completed, and whilst we pause to catch our breath and get our house in order, we also make plans for continuing the relentless drive of accelerating infrastructure development.

In this light I themed the budget for 2012/13 ***DEFEND, CONSOLIDATE AND ADVANCE!!!***

We must defend our gains, consolidate our position and advance our quest for equality between townships and suburbs.

We cannot rest, until Madadeni, Osizweni, Mndozo, Blaaubosch and all our townships look exactly like the suburbs of Aviary Hill, Hutten Heights, Paradise and Lennoxton.

This dream, which I may have mentioned a million times, should be the driving force of this municipality!

In the 2012/2013 financial year, starting July, we plan to advance that dream, but also to maintain and defend our gains we have made in the suburbs. **SIVIKELA INZUZO YETHU, SIQINISEKISA UKUZINIKELA FUTHI SIHLABELA PHAMBILI**

The ANC has given us guidance in terms of the priorities that they have highlighted in the region in the past. We continue to use these priorities, some of which are:

ROADS AND STORMWATER

Roads have been under tremendous pressure this year because of the national shortage of bitumen. This has caused over 30kms of roads in our townships to remain incomplete, but we are certain to have these complete by June 2012.

We continue to budget for more roads, with R94 730 000 allocated to roads. The bulk of this money will go to new roads in Madadeni to the tune of R22,6m and R10m for Osizweni, with major roads being tarred there, and smaller roads within the houses being concreted. Concrete is more durable, needs less maintenance, and most importantly, and is more labor intensive, thereby creating more jobs in the wards where these projects are taking place. Long Bridge Street will receive R11, 7m to complete.

In the west, R3m has been set aside for the rehabilitation of Ayliff street, R1,5m for the opening of Kirkland onto Hardwick street, R10.9m for link road extension that will make it easier for residents of Lennoxton and Fairleigh to access the new mall. R17m has been put in to extend the ncandu river

bridge that runs alongside the taxi rank, widening Allen Street and easing the traffic flows towards Amajuba mall. This will be done in two phases, with the widening of Allen from the Kirkland Street intersection to Hardwick Street along the trim park to be done in the final phase.

We have also promised to reopen Draper Street in Lennoxton, and preliminary studies are underway. We have placed R4,6m to tar that portion, and complete relevant storm water and sidewalks.

Residents will notice that through out our town, be it in the CBD, suburbs or townships, a massive project of paving sidewalks is underway. We have put another R1m to add more, creating nice walkways and bicycle ways for our residents.

We are almost complete with the Asiphephe road bridge, and we have now budgeted for the widening of the portion from the new road, right up to Marconi road, going under the bridge towards the industrial area. This is because we foresee high traffic volumes on that portion once the bridge is open.

Tarring the road leading up to the Dry Cut cemetery should be completed in 2012/13 to the value of R3m.

Storm water problems have us budgeting R3,5m for Panorama street, Scott street outside the Victorian mall, as well as Allen street behind McDonalds.

We continue with our reseal program in the east and west, with over R20m in our operations budget set aside for resealing our already tarred roads.

ELECTRICITY

Learning from the mistake of other towns of not investing enough money into maintenance of their electricity infrastructure, we have decided to increase the budget for electricity

Maintenance on capital projects from R7,5m in 2011/12 to R33,3m in this financial year. It will be over and above regular maintenance that we do through our operational budget. It should see maintenance in most of our lines, as well as planning for a new substation in aquarand to provide capacity for new developments once we start making land available for sale behind the gym. It should also plan for the siyahlahla housing project in Fairleigh.

We continue to budget another R3,3m for high mast lighting in the CBD, Madadeni, Osizweni and surrounding areas. We are not impressed with Eskom, after putting our money in advance to electrify Dry cut, Bosworth and Charlestown, they are now making us wait for the main line so that we can switch on electricity for the residents there. In Mndozo we are fighting with Eskom to complete the infill project, so that all homes are electrified in that area.

WATER and SEWER

Much has been said about the water crisis that we are facing in the last few months, decisive action is needed to deal with this crisis, and we intend to also put our money where our mouth is. Firstly,

we have taken a unanimous decision to close down uThukela water and take over the water reticulation function of the entity negotiations are underway with the MEC of Cooperative Governance and Traditional Affairs who has control of the entity after her Section 139 intervention. We continue to budget for the entity, with a Ryder that this function will be taken by us some time during the financial year and monies used for that purpose.

The water crisis showed that reservoirs in Hilldrop which supplies the west and in Braakfontein that supplies the townships could not be completely filled because of the lack of capacity at Ingagane water treatment plant, lack of storage space in any of our reservoirs and water leaks beyond the meter in the east. the premier. Dr Zweli Mkhize in his State of the Province address announced an R18 Billion infrastructure program for the Province. Included in those projects and mentioned in his speech is the upgrade for the Ingagane water treatment plant from our side, we have already commissioned a R4,5m pipeline from the Tshingwayo dam to the treatment plant. This will increase the amount of water we can pipe there, but also removes our reliance on water from the Buffalo River in Dundee.

We have started a programme already to inspect every house in the east for leaking pipes and old style cisterns that leak water continuously. We have budgeted for R5m for the water conservation and demand management programme; will see that these leaks are repaired. It will also continue its pilot project of installing electronic water meters and pressure regulators in the network in the east.

We have also put in R13,7m for a another reservoir in town that will add storage space for residents in the west, and allow us to focus water resources in the east once we have enough stored water for the west.

We will be appointing an expert to give us expert advice on the complete cost of taking over water reticulation from uThukela water, as well as providing the best supply of water to our residents. in the west we have placed R9m in operations for a possible infrastructure loan to deal with ageing water pipes in the suburbs.

We continue to spend the R13,7m water mystification grant to provide water in Charlestown, Ingagane and Normandien. We cannot have our people living in these rural areas sharing water from the troughs of cows and other animals.

We continue upgrading our wastewater treatment plants in town as well as in Madadeni. In section E and F Osizweni as well as in Stafford, we budgeted just under R10m to finalize the water borne sewer system there and make final connections so that people can start using the sewer system.

PARKS, FIRE AND WASTE

Our parks within the west have received some major refurbishments. Although we are not satisfied to stop there, we have added a further R1,5m to refurbish and fence some of the major parks in our suburbs. We have also built two huge and beautiful parks in Madadeni and Osizweni, complete with palm trees and picnic areas, izingane zethu zizodlalela endaweni ephephile. With R2m more we intend to build two more parks, but these should be in the Johnston, Blaaubosh and Cavan areas. We cannot be a complete city until our children have a safe place to play, free from broken bottles and other dangers.

We will also be heating up the Ferrum Municipal swimming pool and R1m has been budgeted for this purpose. This is to try and attract national swimming events, but also to allow the usage of the swimming pool during the winter months.

The swimming pool at Phelindaba has been stalled, simply because the engineers and contractors have planned the pool in the wrong area. They have also planned a very small pool in relation to the size of that community. We have adjusted our plans, and placed more money to build an Olympic size swimming pool in Madadeni. Once this is complete, then only will be moving to Osizweni, siqinisekisa izinga eliphezulu lezidingo nqangi.

The recent outbreak of fires within our city is a growing concern. We have come under serious criticism, and rightly so. The many years that this municipality did not spend on upgrading our equipment has now come back to haunt us. Although in the past three years we have managed to purchase three new fire engines as well as numerous other fire fighting equipment, it is not enough. We have already ordered a major fire fighting equipment, used for fighting fires in high-rise buildings, at a cost of R3,3m. This should be delivered in the later part of this year.

We have also asked for a critical analysis of our department personnel and equipment, and will consider same during the year. We must also boost up our fire department team that go out to all buildings and check fire compliancy levels. It is important that buildings are in line with safety and fire regulations. In this regard we may also be reintroducing the business licenses for all businesses, to make sure that health requirements are also met.

We continue to budget for the decommissioning of the waste dumping site and the recommissioning of the new site. A task team between the Portfolio Councillors of Planning, Development and Human Settlements and that of community services has been formed, to ensure that this process is sped up!

The waste collection trucks have already been ordered and we also want to phase out the old yellow tractors that collect garbage in the east, with new waste compactors.

Litter continues to be a problem for us, and you will see the new bins placed in the CBD of Newcastle, Madadeni and Osizweni, a further R200 000 will purchase more new equipment to spray our verges with weed killer has already been purchased.

I take this opportunity to announce with pride, that we have won the cleanest town competition in the Province for the third consecutive year, and hope to win the overall national award. Our Councillors and officials involved in this department are congratulated on this success!

LAND AND HOUSING

Numerous housing projects have been approved by Province, including the Blaaubosch housing project of 2 000 houses, the H39 project with 1 000 houses and numerous others. We are far into the process of getting approval for the Siyahhlala housing project of 1 500 houses. This project especially has been long awaited and we hope to see this project on the ground in this year.

The reconstruction of the KwaMathukuza housing project is progressing rapidly, and the roof repairs in Madadeni sections 1,2, and 3 are also in progress.

A new application that has been submitted to Province is for the Community Residential Units project. These are affordable rental flats, 1076 units for the area alongside link road and 350 units for Arbor Park these will be rent to own units, and hopefully should cater for the merging middle class in our town.

In keeping with President Zuma's call for people who earn between R3 500.00 to R15 000.00 to obtain government subsidies up to R83 000.00 for building their own home, we understand that these people, whilst qualifying for the subsidy, will not have land to build these homes on. In this regard a decision has been taken by Executive Committee that all serviced residential land in Councils ownership should be put up for sale within the next few weeks! We have also amended our tender policy, to emphasize that this land will be sold to first time homeowners by public tender.

At this moment 230 pieces of land has been identified, included in these are the 32 pieces of land behind St. Dominic's school, which has been delayed due to the lack of electricity on site. The date for advertisement of the 32 sites has been set for August!

Council needs to make more land available and serviced, and we may need to invite prospective developers so that we can partner with them in providing this infrastructure!

YOUTH, JOB CREATION AND POVERTY ALLEVIATION

Whilst Local Government does not have a mandate to budget for education, we cannot sit back and watch our youth struggle to get a decent tertiary education. Over the years the office of the mayor has assisted children with registration fees, and the beginning of this year has seen that over 140 children being registered through our office. Over and above that, 6 children have received full bursaries for studies in finance and engineering, with contracts signed that these children will return once qualified, to work in our Municipality. This has a three-fold benefit. Firstly, the child is able to study, secondly the skills shortage in these areas are resolved for the Municipality and thirdly, these children are able to return to Newcastle and have a job awaiting them.

We continue to budget for these bursaries, and will add a further 6 bursaries for the end of this year. Registration fee assistance will also continue.

The office of the Mayor has also concluded a deal with the Amajuba FET College, and over the years, 20 students from each Municipal Ward will be sent at no cost to them, for a 3 month course on a skill of their choice, for example bricklaying, electrician, plumber, carpenter. Every three months a further 20 per Ward will be identified to go and study. This is a serious programme in making certain our youth are properly skilled so that it makes them more equipped to find employment.

Our spending on capital projects should generate a further 2 000 temporary jobs, and these young men and women are properly trained to work on these projects. We continue the dictum that every project should only hire labourers from that particular ward.

Poverty alleviation projects are once again budgeted to the tune of just over R2,5m, these projects are given to groups of people who will create the most jobs, and have the best plan in sustaining their ventures.

RURAL DEVELOPMENT

This is a major priority for our government and as mentioned earlier, we speeding up projects such as tarring of roads in Mndozo, housing projects in Blaaubosch, cemetery rehabilitation in Dry cut, electrification projects in Dry cut, Bosworth, Charlestown and Mndozo and water massification in Charlestown, Ingogo and Normandien.

We have also identified a community hall for the Johnston, Blaaubosch Cavan area as well as provide a major play park in the rural area; satellite libraries are currently being investigated for these areas.

A further R6m will be added to the R10m we are spending in this month to build VIP toilets in these areas that do not have proper sanitation. I'm glad to see that these toilets have proper walls and don't only consist of a toilet pan as we have seen in other parts of the country!

The Charlestown community hall will also be rebuilt, and the cemetery there will receive some attention.

Amathuna ase 42, Osizweni will also be fenced within this financial year.

Hon Speaker, these are some of the highlights of the new budget adopted by Council, and they also include general items, such as the installation of new cctv cameras for crime prevention throughout the town in targeting high crime areas. We will add more cameras to the CBD, industrial areas, some suburbs like Lennoxton and Hutten heights, Madadeni and Osizweni! this will be an ongoing project. Our message to criminals in Newcastle is clear, **commit crime here, and we may just catch you on camera uyozisola!!!**

The extension of the municipal civic center moves into phase two, at a cost of R63m. We are moving ahead with these plans, firstly because the more we stall; the more expensive it becomes to build. Secondly because it will still be cheaper to pay off this loan then to rent from numerous buildings in town. Thirdly because our consumers will then get a complete service experience under one roof.

Kafushane Somlomo, our capital budget remains constant to our vision, standing at a total of R318million! This brings our combined operational and capital budgets to just under R1,8 Billion rands!

Now, Honourable Speaker, let's talk about who is going to pay for all this.

Firstly we believe that we are making unreasonable demands on low-income earners within the town. In this regard we are increasing the indigent level from household earnings of R1 900.00 to R3 000.00 for this financial year. This means that households (and I emphasize that) that earn below R3 000.00 a month will be exempt from paying for rates, services, 50kw of electricity and 12kl of water. We will be checking EVERY household income, and for those people who hide behind the gogo in their homes, we WILL catch you sizokubamba! This is a clear warning that we will be going after teachers, nurses, policemen/women, and ALL civil servants for the collection of our levies. You can hide wherever you want, but we will meet you, either in our offices, or in court, you decide!

Secondly all other residents will only pay an increase for water, sewer, refuse and rates of 7%! Electricity within Newcastle will only increase by an average of 11.03% according to the block tariff imposed on us by NERSA. It will still be substantially less than the 14% increase that Eskom will be charging the municipality.

The smart meter systems, whilst not budgeted in our capital budget, have been moved to operations, this is because we are investigating the possibility of getting service providers to supply these on a lease basis. We are expecting a trial pilot project within the next 3 months.

Whilst I pledge my government's commitment to a clean audit by 2014, I believe that as a Council, we should consider moving this date up to 2013! the dashboard report that I presented to the Auditor General of SA, should excellent progress and I believe if we can get our MANCO to focus on this, we should have a clean audit next year. We cannot rest until we spend every cent of this community's money correctly, transparently and held to highest levels of accountability.

One of our achievements as the Executive Committee is going green within the last few months. EXCO members no longer receive hard copy agendas, and instead receive an email with the link of the exco agenda. this goes a long way in saving our environment and taxpayer! the cost of copying thousands of documents and hand delivering to members is a substantial saving, and we intend to roll this out to all 61 Councillors within next few months. it must be said, that whilst many first world governments aspire to this, very few have actually achieved it. in fact, whilst we are not only the first government in south Africa to achieve this, we may be within a few governments worldwide!

This is a clear example that if we put our minds to anything, the people of Newcastle can achieve extraordinary things!

Another issue I need to touch on, Honourable Speaker, is the rationalization of the Provincial Hospitals. Whilst I emphasize that these hospitals do not fall within our jurisdiction, we are however very interested parties. The fact is, many operations currently have already been taking place at the Madadeni hospital, and no one has been complaining for years. Our concern surrounded the old aged who collected medicine on a monthly basis in Newcastle but we have been assured that they will still collect them at the local clinics. This may make it even easier for them.

Emergency patients will still be received by Newcastle and treated and stabilized here, before being sent to madadeni if needs be. The two hospitals will specialize in different areas of medicine, with Newcastle specializing in mother and childcare. Gynecologists, Pediatricians and others specialized will be employed here to take care of mothers and mothers to be! We are also proud that added to this is the announcement by the National Minister of Health that our District will be part of the pilot project to roll out the National Health Insurance initiative (NHI). This will see better quality of healthcare in our region and millions of rands will be pumped in here.

We have been given a commitment by the local health officials that this restructuring, will bring about much better health care, and we commit ourselves to monitoring the progress closely. We are after all, the elected voice of the community.

In conclusion, Honourable Speaker, I place on record my thanks to members of the executive to sacrificed long hours and meetings at short n notice to put this budget together. I thank the Municipal Manager and all his officials including my support staff who had to endure my temper to

put this together. It took long hours over weekends to get this right!

I thank my family, my wife for the patience and understanding the fact that I'm either not home, or home and on the phone during this period. I thank also, all the families of Executive Committee members and Municipal officials involved in the budget process. I assure you that they were not being dishonest when they called you at 10pm to say that they are still in an Executive Committee meeting that started at 8am!

Honourable Speaker, with these remarks, I hereby present **the 2012/2013 budget for Newcastle municipality** to the residents of Newcastle

I thank you!

Jazakalla!

3. BUDGET RESOLUTIONS

- (a) that in terms of section 24 of the Municipal Finance Management Act, 56 of 2003, the annual budget of the municipality for the financial year 2012/13; and indicative allocations for the two projected outer years 2013/14 and 2014/15; and the multi-year and single year capital appropriations be approved;
- (b) that the revenue source that will be utilised to fund both operating and capital budgets be approved;
- (c) that the Municipality's portion of the uThukela Water (Pty) Ltd operating budget of R119,075,680 as reflected in Annexures "H", be approved for 2012/2013 financial year, notwithstanding the discussions held with the MEC to close down uThukela Water (Pty) Ltd and render a water reticulation service internally by the Municipality, however it be noted that an amount of R10 350 000 as provided on operating budget of uThukela Water (Pty) Ltd will be ring-fenced to address and maintain the failing infrastructure as well as getting professional advice of taking over water reticulation within the Newcastle Municipal Area;
- (d) that in terms of section 24(2)(c)(i) of the Municipal Finance Management Act, 56 of 2003, and sections 74 and 75A of the Local Government Municipal Systems Act, 32 of 2000 as amended, the tariffs for the supply of water, electricity, waste services, sanitation services and property rates as set out Annexure "H" that were used to prepare the estimates of revenue by source, be approved with effect from 1 July 2012 for all services except for water and electricity consumption, which be levied on the new tariff with effect from 1 August 2012;
- (e) that the Tariff of Charges be approved;
- (f) that it be noted that Rates, Water, Refuse and Sanitation tariffs will be increased by 7% and other tariffs to be increased to a maximum of 10%;
- (g) that the new advertising bylaws and its revised tariff structure as contained in the Tariff of Charges be approved;
- (h) that it noted that NERSA has advised that the electricity tariff at an average of 11.03% and that the Inclining Block Tariff (IBT) will be applied, all endeavours to be made with NERSA to reverse the block tariff;
- (i) that in terms of the Indigent Policy, the monthly household earnings of an indigent application be capped at R3,000, all endeavours be made to collect revenue from those consumers earning more than R3,000;

- (j) that the Customer Care, Credit Control and Debt Collection Policy be approved;
- (k) that the Rates Policy be approved;
- (l) that the Tariff Policy be approved;
- (m) that the Debt Write-off Policy be approved;
- (n) that the Indigent Policy be approved;
- (o) that the Cash Management and Investment Policy be approved;
- (p) that the Budget Policy be approved;
- (q) that the Virement Policy be approved;
- (r) that the Fixed Assets Management Policy be approved;
- (s) that the Funding and Reserve Policy be approved;
- (t) that the Borrowing Policy be approved;
- (u) that the Petty Cash Policy be approved;
- (v) that following a land audit, all serviced residential properties be sold by public tender, preference to be given to first-time home owners and application be made to National Treasury to amend the Supply Chain Management Policy in such regard;
- (w) that as regards (v) above a timeline for the execution thereof be submitted;
- (x) that a report be submitted as regards compliance with Circular 51 from National Treasury pertaining to the upgrading of the Municipal offices.

4. EXECUTIVE SUMMARY

4.1. OVERVIEW OF THE MUNICIPALITY

Newcastle Municipality is located in the inland region on the Northwest corner of KwaZulu-Natal, a few kilometres south of the Free State and Gauteng provincial borders, in the foothills of the Drakensberg.

The municipality covers an area of 1,855 km², has a population of 332,980 by Census 2001 figures and is made up of 31 wards.

The Newcastle municipal area is the most densely populated municipality in the District and constitutes 71% of the total population of the Amajuba District Municipality, and 3.5% of the total population within KwaZulu-Natal.

From the 2001 Census figures, Newcastle has a very young population with most being in the 15 to 34 age group. This implies that most are in the economically active age group and hence planning is required for more employment opportunities. This is a challenge that needs a strategic approach in light of the general economic dynamics of the district as a whole.

The income breakdown of Newcastle further qualifies the fact that there are limited formal employment opportunities in the area. More than 60% of the population has an income of less than R1 500 a month.

More than 48% have an income of less than R1000 per month. The number of people with no income has also trebled since the 1996 census. This has seen an increase in the indigent population from 220 to approximately 19,500 since March 2005. 60% of the population of Newcastle is mainly urban with 59,423 living in formal housing, 6,851 living informal settlements and 4,649 in traditional housing.

Newcastle is a secondary city offering employment opportunities to the surrounding rural hinterland and acts as the district's urban core. It therefore provides employment opportunities to the whole district. The greatest challenge is to provide housing accommodation and the essential services to meet the increasing demand especially around the urban core where a lot of informal settlements are sprouting up.

The following are the statistics for Newcastle drawn from the Census 2001 information presented by the Statistics South Africa.

Criteria	Newcastle %
Unemployment rate	54%
Population employed	27%
Population unemployed	32%
Population not economically active	40%
Access to electricity for lighting	84%
Access to refuse removal	71%
Piped Water inside dwelling	58%
Age group below 19	50%
Population with toilet connected to sewer	56%

The district as a whole is facing decline in GGP in all sectors. The economy of the district has experienced a change from a dominant manufacturing base to a services base.

There has been some growth in the trade, construction and community services sectors. The economy of Newcastle is however dominated by clothing and textiles, chemicals and metals. Although the district as a whole has a number of challenges due to the declining economy a lot of initiatives are underway to revive the economy.

Institutional Arrangements

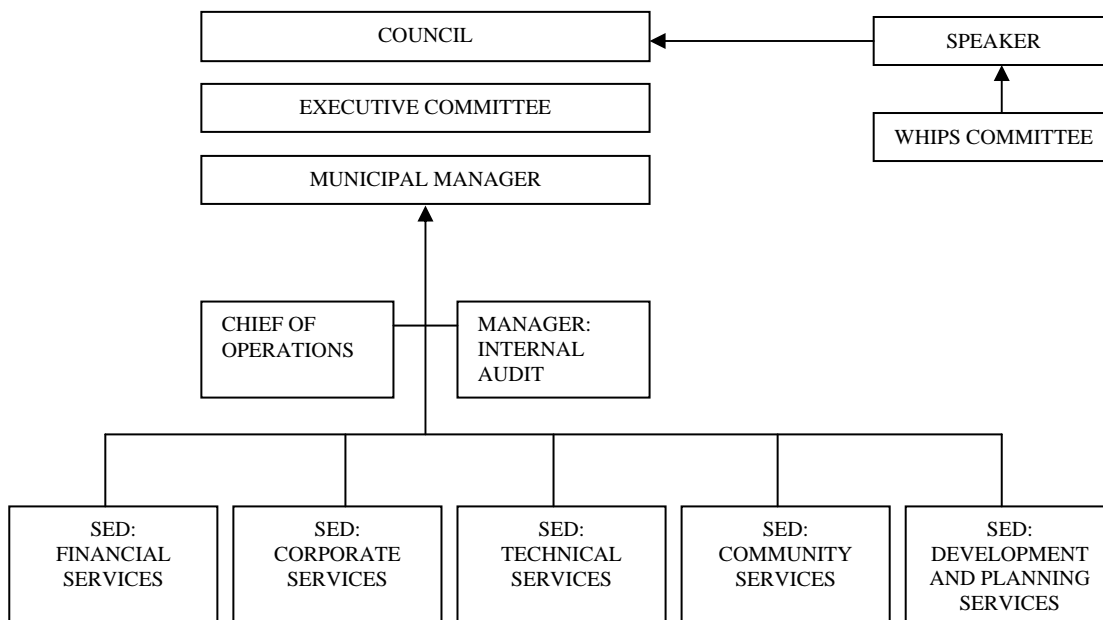
The Municipality has a staff compliment of approximately 1300 people, servicing areas of Newcastle, Madadeni, Osizweni, Blaauwbosch, Ngagane, Kilbarchan, and Charlestown.

The Newcastle Organogram (illustrated below), and as approved by Council, makes provision for a Municipal Manager, a Chief of Operations, Internal Audit, Legal Services and five Departments each headed by a Strategic Executive Director. The five Departments of the municipality are:

- Financial Services
- Corporate Services
- Technical Services
- Community Services
- Development and Planning Services

It should be noted that Council is still in the process of revising the structure which has been divided into two sections, being the macro structure and the micro structure. The macro structure has already been implemented by Council, and the micro structure is yet to be reviewed.

NEWCASTLE MUNICIPALITY: ORGANOGRAM



4.2 COUNCILLORS, EXECUTIVE COMMITTEE AND OFFICIALS

EXECUTIVE COMMITTEE

DESIGNATION	SURNAME & INITIALS	PORTFOLIO COUNCILLOR	POLITICAL PARTY	WARD
Mayor	Rehman A F	Financial services	ANC	PR
Deputy Mayor	Mdluli R N	Technical Services	ANC	13
Executive Committee Member	Hadebe T Z	Community Services	DA	PR
Executive Committee Member	Ndima R B	Corporate Services	IFP	PR
Executive Committee Member	Kunene N P	Community Services	ANC	PR
Executive Committee Member	Lukhele S B M	Planning & Development	NFP	PR
Executive Committee Member	Ntombela B S	Corporate Services	ANC	12
Executive Committee Member	Shunmugan M	Planning & Development	ANC	3
Executive Committee Member	Vorster J A	Technical Services	IFP	PR

COUNCIL

DESIGNATION	SURNAME & INITIALS	POLITICAL PARTY	WARD
Speaker	Zikhali M F	ANC	14
Councillor	Bam V V	IFP	PR
Councillor	Bhekiswayo M M	ANC	26
Councillor	Buhali M V	AZAPO	PR
Councillor	Buthelezi D R F	ANC	10
Councillor	Buthelezi S S E	ANC	8
Councillor	Cronje E	DA	2
Councillor	Damons J M E	DA	PR
Councillor	De Jager	DA	4
Councillor	Dube C L	NFP	PR
Councillor	Dube D X	IFP	PR
Councillor	Gabuza J K	ANC	24
Councillor	Gama F P	ANC	9
Councillor	Hlabisa T S	ANC	22
Councillor	Hlatshwayo M M E	ANC	PR
Councillor	Hlatshwayo S B	IFP	7
Councillor	Keeka I	DA	PR
Councillor	Khoza L G	ANC	5
Councillor	Kubheka C B	IFP	PR
Councillor	Kubheka S	ANC	1
Councillor	Madonsela H S	ANC	31
Councillor	Malindi H T	ANC	11
Councillor	Mashinini A M M	RLP	PR
Councillor	Matthews N S	ANC	15
Councillor	Mbatha J S	ANC	6
Councillor	Mbatha Z J	ANC	20

Councillor	Mbokazi M N	ANC	29
Councillor	Mlangeni M S	IFP	PR
Councillor	Mdlalose M O	ANC	19
Councillor	Mkhize C N	AZAPO	PR
Councillor	Mkhwanazi H N	ANC	30
Councillor	Mlangeni M G	IFP	PR
Councillor	Mlangeni M S	IFP	PR
Councillor	Mncube G A	FEDCON	PR
Councillor	Msibi N A	ANC	27
Councillor	Ndlovu S G	ANC	21
Councillor	Ngcobo M E	ANC	25
Councillor	Ngobese NJ	ANC	23
Councillor	Nhlapho C L	IFP	PR
Councillor	Nkosi D J Z	IFP	PR
Councillor	Ntshangase N T	NFP	PR
Councillor	Nyembe E M	ANC	16
Councillor	Nzuze T M	IFP	9
Councillor	Shabalala D O	ANC	28
Councillor	Sibilwane D M	ANC	17
Councillor	Thwala S M	ANC	PR
Councillor	Tshabala D E	ANC	18
Councillor	Zulu S J (Prince)	RLP	PR
Councillor	Zulu T M	IFP	PR
Councillor	Zungu E M	NFP	PR
Councillor	Zwane M E	NFP	PR
Councillor	Zwane M M	AZAPO	PR
Councillor	Zwane N A	ANC	PR

SENIOR OFFICIALS

DESIGNATION	SURNAME & INITIALS
Municipal Manager	Masange K
Strategic Executive Director: Financial Services	Mayisela M J
Strategic Executive Director: Corporate Services	Hauptfleisch E
Strategic Executive Director: Technical Services	Dube S
Acting Strategic Executive Director: Community Services	Nkosi E.M
Acting Strategic Executive Director: Development and Planning Services	Nyathikazi E J
Chief of Operations	Mswane B E
Executive Manager: Legal Services	Nkosi E M
Manager Internal Audit	Ngwenya S

4.3. MEDIUM TERM BUDGET 2012/13 TO 2014/15

INTRODUCTION

The purpose of the 2012/13 medium-term budget is to comply with the Municipal Finance Management Act (No.56 of 2003) and is a financial plan to enable the municipality to achieve its vision and mission through the IDP which informs the Newcastle Municipality's five-year programme and community/stakeholder inputs.

The tabling of the 2012/2013 budget was a statement of our commitment to the people of Newcastle, proposing a total budget of R1.719 billion, comprising R308.4 million for capital and R1.410 billion operating budget. The 2012-2015 multi-term budget posed many challenges and obstacles which had to be addressed and accommodated by the limited financial and other resources.

The budget has been prepared in terms of the new Budget Format and Reporting Regulations. The tabling of draft budget was as a journey towards consultation processes with communities throughout the municipal area and all other relevant stakeholders, which will take place as from 24 April 2012 and will be finalised on 13 May 2012. Comments and inputs from will closed on 14 May 2012 from different communities and stakeholders where the budget will be presented by His Worship, Mayor Afzul Rehaman. The draft budget has aslo been submitted to National as well as the Provincial Treasuries for assessment.

4.3.1 OPERATING BUDGET

4.3.1.1 Revenue

Revenue increased by 8% overall with the proposed tariff increases and other allocations as indicated below:

Assessment Rates	07%
Electricity	11.03%
Refuse Removal	07%
Water	07%
Sewer	07%

Revenue from property rates will increase by only 7% from the 2011/12 adjusted budget of R153.1 million. The rates revenue is projected to stand at R163.8 million in the 2012/13 financial year. Rates budget was based on the existing valuation roll and Council is busy with the process of initiation the new valuation process in terms of Municipal Property Rates Act and any new or amended valuations will be incorporated in the next supplementary valuation roll or the new valuation roll, impact of which will then be incorporated in the 2012/13 adjustment budget, if any.

Electricity tariffs are expected to boast the operating revenue by R502.2 million, an increase of R50.7 million (11%) from R451.1 million 2011/12 adjusted budget. It should be noted that the tariff increase of 11.03% relates to NERSA approval of average tariff increase on Municipalities, and it be noted that municipality will be purchasing electricity at an increase of 13.5% from NERSA.

Waste management is expected to generate about R63.5 million to the operating revenue, representing an increase of R4.1 million from the 2011/12 adjusted budget. This represents an increase of 7% from the adjusted budget of 59.3 million, which as a result of tariff increase.

Revenue from water sales will increase from R126.6 million to R135.5 million, representing an increase of 7% (R8.8 million) due to tariff increase. Revenue from sanitation will increase from 73.2 million to R78.3 million, representing an increase of 7% (R5.1 million) due to tariff increase.

Total grant allocations to fund operating budget are expected to be R352.2 million, being the equitable share, and capital grants amounting to R108.9 million worth of grants. These grants have been appropriated in National as well as the Provincial Division of Revenue Acts. The equitable share allocation to be received from National Government increased from R244.4 million to R270.4 million (R26 million), however it must be noted that Council will only utilise R235.4 million of the total equitable share allocation to fund the operating expenditure, and the remainder will be utilised to boost capital development programmes in the area of Newcastle.

Revenue from investments interest is projected at 16.1 million, being a decrease of R806 753 from the adjusted allocation of R16.9 million for the 2011/12 financial year.

Revenue from Rental of Facilities and Equipment are expected to be R4.3 million from R3.9 million, from the 2011/2012 adjustment budget being an increase of 11%.

Revenue from Fines is expected to be R2.9 million from R1.2 million, being an increase of 135% from the 2011/2012 adjustment budget.

Licence and Permits is expected to be R 51 282 from R 47 219, from the 2011/2012 adjustment budget being an increase of 9%.

Other Revenue has decreased by 73% compared to the 2011/2012 adjustment budget being an amount of R19.8 million accounted in respect of the depreciation offset has been removed from the 2012/13 budget, since Newcastle Municipality is now fully compliance with the provision of GRAP. Previous inclusion of this revenue was a transitional requirement to off-set depreciation on assets funded through government grant before introduction and implementation of GRAP.

Total revenue for the 2012/13 financial year is estimated at R1 326 738 401, inclusive of revenue from water and sanitation services.

4.3.1.2 Expenditure

4.3.1.2.1 Employee Related Costs : R260.2 million (18.4% of Total Expenditure)

Employee related cost been increased by 16% compared to the 2011/12 adjustment budget and by 5% compared to the 2011/12 approved budget. The increase in comparison to the adjustment budget may appear exorbitant, however, cognisance should be given that the

adjustment budget was reduced as a result of delays in filling the vacant posts. Since the 2012/13 budget has also included all vacant posts the picture may appear distortive. If however the increase is compared with the 2011/12 approved budget, it is clear that employee related costs generally increased by 5%, which is considered very low. In terms of the Collective Agreement on Wages and Salaries signed by the Local Government National Bargaining Council, salaries increases for 2012/13 financial year will be based on the average inflation rate plus 2%. The average increase in the consumer price index for the last financial year was estimated at 4%, hence an increase of 8% per employee is still considered adequate, also considering the fact that some of the vacant posts may be delayed to be filled in the 2012/13 financial year.

Salaries budget will therefore be increased from R223.4.0 to R260.2 million (16% from adjusted budget).

4.3.1.2.2 Councillor Remuneration : R16.8 million (1.1% of Total Expenditure)

Expenditure of Councillor allowances is expected to increase from R15.9 million to R16.8 million (R880 245). This represents an increase of 6% from the 2011/12 adjusted budget. The MEC for Local Government in the current financial year resolved to increase Councillors remuneration by 5%, hence, the 2012/13 anticipated increase should not be too high, considering the prevailing CPIX trends as explained in 4.3.1.2.1 above.

4.3.1.2.3 Repairs and Maintenance : R87.9 million (6.2% of Total Expenditure)

Expenditure on repairs and maintenance is expected to decrease from 93.1 million to 87.9 million from the 2011/12 adjusted budget. This represents a decrease of 6%. The trend analysis in the past few years has revealed that Council step up the maintenance budget too high as one would recall that R52.6 million was budgeted for in the 2010/11 budget.

4.3.1.2.4 Bulk Purchases – Electricity : R405.9 million (28.7% of Total Expenditure)

Expenditure on bulk electricity purchases is expected to increase from R372.4 million to 405.9 million from the 2011/12 adjusted budget. This represents an increase of 9%. NERSA has resolved to increase its tariff on electricity purchases by 13.5%. It is therefore clear that Council will have to source other funding to make up for the shortfall since tariff increases will not fully cover the costs of purchases.

4.3.1.2.5 Contracted Services : R137.3 million (9.7 % of Total Expenditure)

Expenditure on contracted services is expected to increase from R136.8 million to R137.3 million. This represents an increase of R43 792. It should further be noted that included in this, is the budget of R119 million in respect of operating expenses of Uthukela Water, the Entity, and the balance is for security agent fees and for other consultant fees.

4.3.1.2.6 Bad Debts: R83.8 million (5.93% of Total Expenditure)

Expenditure on bad debts is expected to increase from R76.0 million to R83.8 million. This represents an increase of R7.7 million (10%). This increase in the provision for the debt impairment is directly linked to the increase in the rates and service tariffs. One would argue that this provision is too low taking into account the balance of the outstanding debtors, however, council is planning programmes to clean up the debtor books, and to introduce new incentives with a view to encourage payment culture, especial in the West communities.

4.3.1.2.7 Collection Costs : R11.3 million (0.8% of the Total Expenditure)

Expenditure on collection costs is expected to increase from R10.1 million to R11.3 million. This represents an increase of R1.2 million (12%). Current year's trends indicate that this expenditure item was inadequately budgeted for and the collection programmes indicated in the 4.3.1.2.6 above indicate that debt collectors will be paid more as we anticipate to collect more revenue.

4.3.1.2.8 Depreciation : R229 million (16.2% of Total Expenditure)

Expenditure on depreciation is expected to increase from R229.2 million to R229.5 million. This represents an increase of R2.3 million (1%). This is due to additional depreciation for the acquisition of the new capital projects.

4.3.1.2.9 Finance Charges : R14.4 million (1% of the Total Expenditure)

Expenditure on finance charges is expected to increase from R9.0 million to R14.4 million. This represents an increase of R5.4 million (60%). Council currently has loans amounting to about R70 million with DBSA loans amounting to about R113 million will be taken on the next financial year to fund the construction of the and other critical electricity projects.

4.3.1.2.10 General Expenses : R166.4 million (11.77% of the Total Expenditure)

Other general expenses are expected to decrease from R252.5 million to R166.4 million. This represents a decrease of R89 million (35%). This is due mainly due to an exercise undertaken by the entire municipality to reduce operating expenses drastically. Notable expenditure items in the general expenditure, but not limited to, are as follows:

Expenditure Item	2012/13	2012/14	2012/15
Audit Fees	2 904 000	3 473 184	3 771 878
Dpt Rates, Sewer & Services	23 308 005	27 876 374	30 273 743
Grant Expenditure	4 189 347	5 010 459	5 441 358
Indigent Benefit	62 668 441	74 951 455	81 397 281
Insurance	3 026 516	3 619 713	3 931 009
Leave Reserve Contrib.	5 474 528	6 547 536	7 110 624
Leasing of Speed Cameras	3 000 000	3 588 000	3 896 568
Machinery Hire	3 484 487	4 167 446	4 525 846
Machinery Costs	10 840 442	12 965 169	14 080 173
Printing and Stationery	3 665 325	4 383 728	4 760 729
Protective Clothing	2 623 634	3 137 866	3 407 722
Public Consultation	2 636 400	3 153 134	3 424 304

Purchase of Plastic Bags	2 710 594	3 241 870	3 520 671
Rental of Buildings	5 364 630	6 416 097	6 967 882
Subsistence & Travelling	2 638 394	3 155 520	3 426 894
Telephone	3 744 902	4 478 903	4 864 088
Transport Allowance	13 777 606	16 478 017	17 895 126
Transport Costs	14 394 580	17 215 917	18 696 486
Valuation Expenses	4 500 000	5 382 000	5 844 852
Ward Committees	4 327 128	5 175 245	5 620 316
Workmen Compensation	3 296 233	3 942 295	4 281 332

4.3.1.2.11 Total Operating Expenditure 1.414 billion

Total expenditure for the 2012/13 financial year is estimated at R1 414 941 452. This represent an decrease of less than 1% and 4% from the 2011/12 approved budget and the 2011/12 adjusted budget respectively. The major decrease is attributable to general expenditure which was as a result of Council's initiative to reduce operating expensed to the reasonable levels.

4.3.1.2.12 Operating Deficit R87.2 million

Council has approved its annual budget with an operating deficit of R87.2. Included in this deficit is the depreciation amounting to R196.6 million which will be accounted for as a result of the asset revaluation performed during the 2009/10 financial year, as well as capital receipts appropriated in terms of the Division of Revenue Act amounting to R108.9 million. If these two items are reversed, it is clear that Council has actual budgeted for the operating surplus of R464 019.

4.3.2 CAPITAL BUDGET : R305.4 MILLION

4.3.2.1 Funding Sources

The total capital budget for the 2012/2013 financial year amounts to R305.4 million, which will be funded as follows:

FUNDING SOURCE	2012/2013 ANNUAL BUDGET	2013/2014 DRAFT BUDGET	2014/2015 DRAFT BUDGET
Amajuba DC	1 400 000	-	-
COGTA	9 000 000	-	-
External Loans	113 300 000	190 200 000	65 800 000
Internal Reserves	91 680 128	126 910 000	94 030 000
MIG	90 038 000	92 100 871	81 923 075
TOTAL BUDGET	305 418 128	409 210 871	241 753 075

4.3.2.2 Capital Summary

The summary of capital budget by asset classes is as follows:

ASSET CLASS	2012/2013 ANNUAL BUDGET	2013/2014 DRAFT BUDGET	2014/2015 DRAFT BUDGET
Airconditioners	705 000	-	-
Airports	500 000	350 000	350 000
Cemeteries	3 000 000	-	-
Electricity Reticulation	30 000 000	138 000 000	69 600 000
Furniture and Equipment	2 030 000	2 000 000	2 000 000
Halls	3 500 000	29 000 000	29 000 000
IT Equipment	1 600 000	-	-
IT Hardware	200 000	50 000	100 000
Land Purchases	8 000 000	10 000 000	10 000 000
Landfill Sites	1 800 000	110 000	2 000 000
Markets	4 000 000	-	-
Municipal Civil Centre	63 000 000	115 000 000	24 000 000
Municipal Flats	1 000 000	-	-
Other Infrastructure	2 310 000	1 000 000	1 000 000
Other Municipal Buildings	100 000	100 000	100 000
Parks and Gardens	2 000 000	2 500 000	2 500 000
Plant and Equipment	4 482 000	1 970 000	730 000
Roads, Bridges and S/water	94 231 128	40 250 871	40 073 075
Sanitation	5 100 000	4 500 000	-
Security	600 000	-	-
Software	4 500 000	10 120 000	460 000
Sports and Recreation	13 200 000	4 500 000	4 540 000
Street Lighting	3 300 000	6 600 000	4 700 000
Vehicles	5 250 000	500 000	600 000
Waste Management	1 860 000	3 160 000	3 000 000
Water Reticulation	49 150 000	39 500 000	47 000 000
TOTAL CAPITAL BUDGET	305 418 128	409 210 871	241 753 075

4.3.3. ISSUES NOT ADDRESSED IN THE 2011/2012 BUDGET

4.3.3.1 Operating Budget

- Filling of all critical vacant positions as per new department structures
- Possible demands for higher salary increase than budgeted, especially backpays in terms of the Wage curve and Categorisation Collective Agreement.
- Potential cash outflow due to the under provision for bad debt provision.
 - Free basic electricity limited to 50kW to indigent households.
 - New indigent ceiling of R3000
 - Free basic water limited to 12kl to indigent households.

4.3.3.2 Water Budget

- Funding of R10.3 million to address water infrastructure problems may be inadequate.
- Provision of funds to implement and monitor water restrictor system.
- Free basic water limited to 12kl to indigent households

4.3.4 ALIGNMENT WITH NATIONAL AND PROVINCIAL PRIORITIES

The Newcastle Municipality's IDP and Medium-term budget need to align with national and provincial initiatives to ensure optimal impact from combined effort of government. The Municipality is confident that this budget is structured to give effect to the strategic priorities and support long-term sustained growth and development in line with National and Provincial objectives.

The following priorities are part of National Government's framework to enhance the social, cultural and economic welfare of all South Africans.

- Expanding investment in the built environment and increasing access to basic services
- Enhancing skills and quality of education
- Reducing levels of crime and enhancing citizen safety
- Improving the provision of healthcare and broadening programmes
- Sustaining employment growth through increased public investment spending

The 2012/13 medium term budget seeks to address a number of these priorities by, amongst others, wider provision of municipal services, free basic services for indigents, initiatives to encourage capital spending to provide a vast public infrastructure.

5. BUDGET TABLES AND RELATED CHARTS

As per attached Schedules and as Per Schedule A tables

PART 2 – SUPPORTING DOCUMENTATION

6 OVERVIEW OF BUDGET PROCESS

6.1 Political Oversight of Budget Process

The concept of political oversight over the budget process is an important one and it is the key to ensuring that strategy informs budget.

The political oversight role of the Mayor is contained in Section 53 (1)(a) and (b) of the Municipal Finance Management Act (MFMA). It requires that the Mayor must provide political guidance over the budget process and the priorities that guide the preparation of the budget. It further requires that the Mayor co-ordinate the revision of the IDP and the preparation of the annual budget and to determine how the IDP is to be taken into account for the purpose of the budget.

The demands on the Municipality to address service delivery backlogs and to improve service delivery to all of its citizens, within current financial resources, are challenging. Political oversight of the budget process is therefore essential to ensure that the priorities of the municipality are addressed through budget allocations.

6.2 Schedule of Key Deadlines Relating of Budget Process

One of the objectives of the budget timetable is to ensure the development of IDP and the budget and also to ensure that a funded budget is tabled for consideration and approval. The timetable schedule for the compilation of the 2012/13 budget cycle was approved by Council during August 2011 in compliance with the MFMA.

The following is a schedule of deadlines relating to the 2012/13 budget process:

ACTIVITY	DATE	RESPONSIBLE OFFICIAL
Extended Manco To Finalise Draft Budget, IDP, PMS	09 March 2012	Municipal Manager, All SED's
EXCO Workshop	13 March 2012 (if not complete to continue into 17 March 2012)	EXCO, ManCo
Workshop Caucuses on Draft Budget	19 March 2012	CFO
Tabling to EXCO	20 March 2012	CFO, Director IDP, Performance Manager, SED : Corporate Services
IDP RF workshop	22 March 2012	Director IDP
Tabling to Council (Special Meeting)	27 March 2012	CFO, Director IDP, Performance Manager
Formal Budget Speech to Public	28 March 2012 – 18h00	Mayor, SED : Corporate Services/ Mayor's Office
Advertise for Public Comment	05 April 2012	SED : Corporate services
Public Consultation – Structures	28 March 2012	Director : IDP, Mayor, SED's
Public Consultation – Zonal and other	24 April 2012 to 06 May 2012	Director : IDP, Mayor, SED's
Closing of Public comments	09 May 2012	SED : Corporate Services
Collate comments and distribute to EXCO	09 May 2012 to 11 May 2012	Director : IDP, CFO

EXCO meeting to consider comments	16 May 2012	CFO, Director IDP, SED : Corporate Services
Public Hearing – Council	17 May 2012	SED : Corporate services
IDP RF	18 May 2012	Director : IDP
EXCO approval	22 May 2012	CFO, Director IDP, Performance Manager, SED : Corporate Services
Special Council to approve	30 May 2012	CFO, Director IDP, Performance Manager, SED : Corporate Services

6.3 Process for Consultations with Stakeholder Groups and Outcomes [MFMA 21(1)(b)]

Section 22 of the MFMA requires that after tabling of the annual budget in Council, the municipality must make public the draft budget and also invite the local communities to submit representations thereon. Accordingly the tabling of this draft budget in the Council on 26 March 2012 was followed by the following activities:

- The summarised draft budget and consultation meetings was published in News Letter
- Draft budget was submitted to Provincial and National Treasuries as well as Department of Provincial and Local Government
- The Draft budget was presented to the IDP Representative Forum
- The Draft budget was presented to the Ward Committees
- Public meeting were held in various wards
- The Draft budget was presented to the Business Community
- The Draft budgeted document was generally distributed to libraries and other municipal offices to allow the wide invitation of comments and representations to the draft budget.

The public budget road show meetings commenced on 24 May 2012 and were finalised on the 13 May 2012. The closing date for submissions of comments and representations was moved to 16 May 2012. The schedule of budget road shows was publicised in the local newspaper, website, libraries as well as in the municipal notice boards.

The final schedule of dates and venues for the 2012/13 budget public meetings was as follows:

STAKEHOLDER	VENUE	DATE	DAY	TIME
Formal Budget Speech to: All Chambers/organized business, Faith based organizations, NGO Farmers association Amakhosi, Ward committees, Physically challenged and women & men forums	Show Hall	27 March 2012	Tuesday	17h00 for 18h00
Newcastle West- ward 2,3,4 & 25	Town Hall	24 April 2012	Tuesday	17h30
Ingagane –ward 21 Boswell farm Vezubuhle, Sbhasha,Ballengeich & Kilbarchan	Ingagane Sports field	25 April 2012	Wednesday	16h00
Newcastle West – ward 5 Ncandu park ,Amajuba park & Barry Hertzog Park	Hope High School	26 April 2012	Thursday	17h30
Madadeni – Ward 20,22,23 & part of 24	Mbalenhle SP School	28 April 2012	Saturday	09h00
Madadeni – ward 21,27,26,28 part of 24	Sabela High School	28 April 2012	Saturday	14h00

Madadeni – ward 31,19,14,18, 29, Soul City, MaVilakazini	Mcebowlwazi SP School	29 April 2012	Sunday	09h00
Madadeni – ward 27,19,29 & H39	Cathulani P School Sports ground	29 April 2012	Sunday	14h00
Osizweni –ward 13,17, part of 30 & 18	Sesiyabonga School	05 May 2012	Saturday	09h00
Osizweni – ward 11,30,10,	Osizweni Community Hall	05 May 2012	Saturday	14h00
Osizweni –part of ward 7 8,9 & part of 10	Osizweni High School	06 May 2012	Sunday	09h00
Osizweni – part of ward 7,6,30 and Lister % & Masondeza	Dicks Hall	06 May 2012	Sunday	14h00
Blaaubosch - ward 12,15,16,18	St Louis High School sports field	12 May 2012	Saturday	09h00
Nomardien	Esitolo kwaBhayi	12 May 2012	Saturday	14h00
Charlestown Ingogo & Botha's pass	Charlestown Town Hall	13 May 2012	Sunday	14h00
Ingogo & Botha's pass	Ngogo Police Station	13 May 2012	Sunday	09h00

7. ALIGNEMENT OF IDP AND BUDGET WITH, MONITORING AND IMPLEMENTATION THROUGH SERVICE DELIVERY BUDGET IMPLEMENTATION PLANS

1.1 Newcastle Municipality

Newcastle Municipality is located on the northwest corner of KwaZulu-Natal, and borders onto Free State and Mpumalanga provinces to the west and north respectively. Utrecht and Dannhauser local municipalities are located along the eastern and southern boundary. It covers an area of approximately 1854km². The boundaries were delineated in terms of the Municipal Demarcation Act, (Act No. 27 of 1998) and takes into account population movement trends, regional economic patterns and current land use pattern. As such, the boundaries are not just administrative, but are also intended to promote social and economic development while also strengthening regional economic and functional linkages.

1.2 Objectives of the Integrated Development Plan

The Newcastle Municipality IDP adopts a long term planning horizon, but also presents a short to medium term strategic agenda and a detailed five year programme commencing in 2011/2012 financial year and ending in 2015/2016 financial year. This period coincides with the term of office of the incumbent council and aligns with the budget cycle. The IDP is prepared in accordance with the requirements of the Municipal Systems Act and the associated regulations (refer to Box 1), and is intended to serve as a strategic guide for public sector investment and development generally. It is based on the issues articulated by all stakeholders and is informed by the national and provincial development imperatives. Its objectives are as follows:

Box 1: Section 25 (1) of the Municipal Systems Act (2000)

Each municipal council must, within a prescribed period after the start of its elected term, adopt a single, all inclusive and strategic plan for the development of the municipality which-

- a) Links integrates and coordinates plans and takes into account proposals for the development of the municipality;*
- b) Aligns the resources and capacity of the municipality with the implementation of the plan;*
- c) Complies with the provisions of this Chapter; and*
- d) Is compatible with national and provincial development plans and planning requirements binding on the municipality in terms of legislation.*

- ✓ To guide decision making in respect of service delivery and public sector investment.
- ✓ To inform budgets and service delivery programs of various government departments and service agencies.
- ✓ To coordinate the activities of various service delivery agencies within Newcastle Municipality area of jurisdiction.
- ✓ To engage communities and other key interested and affected parties in municipal affairs, particularly continuous integrated development process.

- ✓ To position the municipality to make a meaningful contribution towards meeting the district and provincial development targets and priorities.

1.3 Scope of the Newcastle IDP

In line with Section 26 of the Municipal Systems Act which prescribes the key components of an IDP, and the focus on development outcomes, Newcastle Municipality IDP is presented in four main sections as follows:

- ✓ An outline of the key development issues and trends based on an analysis of the current level of development (Situational Analysis).
- ✓ A strategic framework which outlines a Council long term vision with specific emphasis on the municipality's most critical development objectives, actions plans and strategies.
- ✓ A capital program including a one year program, three year program aligned to the Medium Term Expenditure Framework and the Five (5) Year Plan.
- ✓ Implementation framework which includes sector plans particularly the financial plan, spatial development framework, organizational performance management system and an organizational transformation and institutional development plan.

The IDP will inform the Medium Term Expenditure Framework (MTEF), and guide the annual budget process. Chapter 4 Section 21 (1) of the Municipal Finance Management Act (MFMA) requires a municipality to align and sustain a close functional link between its IDP and the budget.

1.4 Approach

The IDP adopts an outcome based approach in line with the national government priorities and the associated 12 outcomes (refer to Box 2 below). Early in the National Cabinet adopted twelve outcome areas that collectively address the main strategic priorities of government. The strategic objective of the outcome based approach is to improve service delivery across all spheres of government and to introduce a systematic planning, monitoring and evaluation process.

High level Negotiated Service Delivery Agreements (NSDA) based on these outcomes has been concluded between President and national ministers.

The Government outcome nine commits the Minister of Cooperative Governance and Traditional Affairs develop a local government system which is efficient, effective, responsive and accountable. In line

Box 2: 12 National Outcomes

1. improved quality of basic education an
2. long and healthy life for all South Africans a
3. South Africans should be safe and feel safe all
4. ent employment through inclusive growth dec
5. skilled and capable workforce to support an inclusive growth path a
6. efficient, competitive and responsive economic infrastructure network an
7. ant, equitable, sustainable rural communities with food security for all vibr
8. ainable human settlements and an improved quality of household life sust
9. a

the
to

with Outcome 9 (refer to Box 3), Newcastle Municipality IDP responds directly to issues facing the area and its communities, render local government services efficiently and effectively.

However, the municipality will also contribute directly and indirectly to the attainment of other outcomes, particularly those dealing with economic development, infrastructure development, rural development and environmental management. Therefore alignment with the relevant sector frameworks and programmes across the spheres of government is critical.

Box 3: Outputs for Outcome 9

1. Output 1: Implement a differentiated approach to municipal financing, planning and support
2. Output 2: Improving access to basic services
3. Output 3: Implementation of the Community Work Programme
4. Output 4: Actions supportive of the human settlement outcome
5. Output 5: Deepen democracy through a refined Ward Committee Model
6. Output 6: Administrative and financial capability
7. Output 7: Single window of coordination

In addition, the IDP also considers the emerging national and provincial long term strategic plans as encapsulated in the Draft National Development Plan and the Draft Provincial Growth and Development Strategy. Given its strategic location in the northern part of KwaZulu-Natal, Newcastle Municipality will make a significant contribution towards the implantation and attainment of the strategic objectives of each of these strategic plans. Again, it is critically important to ensure that the IDP aligns with these documents once they are completed.

1.5 PUBLIC PARTICIPATION

The IDP preparation process involved extensive stakeholder and public participation as required in terms of the MSA. At least four IDP Representative Forum meetings were held, each coinciding with a distinct phase in the process. In addition, several meetings were held at ward level to establish community development needs and consult communities on municipal business generally. Budget/IDP Road shows also provided valuable input into the process. The review of the IDP over the next four years will also follow the same process.

1.6 BUDGET PROCESS PLAN FOR 2012/2013 MULTI-TERM BUDGET

The schedule below indicates the process followed towards the preparation of the IDP and its alignment with the budget.

DATE	ACTIVITY	RESPONSIBILITY
July 2011	Meeting with Mayor, Exco and Manco to discuss the strategic direction and objectives for the 2012/2013 financial year	MM/BTO
August 2011	Budget Framework Meeting the SED's to discuss budget process Preparation of budget framework to provide parameters and request budget inputs for	BTO

DATE	ACTIVITY	RESPONSIBILITY
	2012/2013	
November 2011	Completion of Salary Budget	BTO/HR
November 2011	Budget strategic workshop	CFO and Mayor
December 2011	Submit all Budget related policies for review	BTO
December 2011	Prepare draft budget three year operational and capital budget	BTO
January 2012	Report back on progress with Budget inputs	BTO, MANCO
January 2012	Review of current budget and inputs for new budget	MANCO
February 2012	Submission of Budget Inputs Final date for SED's to submit departmental budget inputs. Proposed Capital projects from IDP	BTO/SED'S
February 2012	Budget discussion document Compile discussion document from inputs and submit to EXCO and MANCO	BTO
March 2012	Budget Workshop Discussion of budget inputs, link capital and operational plans to IDP and determine proposed tariffs	EXCO MANCO
March 2012	Draft Budget Submit draft multi-term operational and capital budget to Council, National and Provincial Treasury, COGTA	CFO/BTO
April 2012	Public Consultation Process Public Consultation on draft budget throughout municipality	MAYOR EXCO MM
May 2012	Respond to Public Comments Response to public comments and sector comments. Incorporate recommendations into draft budget if possible and feasible	MAYOR BTO MM
30 May 2012	Approval of Final Budget Approve the draft multi-term operational and capital budget	COUNCIL
June 2012	Advertising Publication of approved budget. Place on municipal website.	MM BTO
June 2012	Submission of Budget Submit approved budget to National and Provincial Treasury and CoGTA	BTO MM
June 2012	Compile SDBIP Compilation of service delivery and budget implementation plan(SDBIP) and submit to Council for approval	PMS MAYOR MM

2 Socio-economic Profile

2.1 Demographic Profile

2.2 Population Size and Growth Patterns

The official government figures reflected in the 2007 Community Survey estimates the total population of the NLM to 327 637 people. This marks a net decline of about 5 343 people from 332 980 people recorded in the 2001 census. Global insights (2008) have estimated the total population to be 364244 people, which marks a net increase from the 2001 census figures. As indicated in table 1 below, 70% of Amajuba District Municipality population is found in Newcastle Municipality.

Table 1: Population Size – Amajuba District and Newcastle Municipality

YEAR	AMAJUBA DISTRICT	NEWCASTLE MUNICIPALITY
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YEAR	AMAJUBA DISTRICT	NEWCASTLE MUNICIPALITY
Total population: 2001	468 037	332 352
Total population: 2005	491 102	353 618
Total population: 2007 (Global Insight 2007)	497 617	361 134
Total population: 2007 (Community Survey, 2007)	442 266	327 637
Number of Households: 2005	96 846	72 089
Number of Households 2007 (Global Insight 2007)	108 595	82 938
Number of Households: 2007 (Community Survey, 2007)	77 786	101 045
Average household size: 2005	5.1	4.9
Average household size: 2007 (Global Insight 2007)	4.6	4.3
Average household size: 2007 (Community Survey, 2007)	4.4	4.2
Percentage growth per annum	1.21	1.33

Source: Census 2001, Community Survey 2007, Global Insight 2007, Amajuba IDP (2010/2011)

Despite the vagueness in population figures, it is certain that the area has experienced net population increase since 2001. The 2010/2011 IDP Review report estimates this to be in the region of 3.5% or 1.33% per annum (refer to Table 1 above). The majority of this growth has occurred in the eastern areas – around Madadeni and Osizweni Townships. Current population movement patterns in the region suggest that the urbanisation phenomenon continues with factors such as natural growth rate, breakdown in extended families and in-migration being the main drivers. In-migration arises mainly from perceived urban opportunities and prospects for a better life, poor access to services and lack of employment opportunities in the rural hinterland and general decline in employment opportunities in the agricultural sector. Over the last ten years, Newcastle agricultural regional has registered a net decline in both production and employment opportunities.

2.2.1 INCOME Profile

Newcastle Municipality has a generally low income population with a large number of people (20 003) living in abject income poverty as they do not have a reliable source of income. 28% of households do not have income while 29% earn less than R800 per month. Essentially, more than half of the population could be described as indigent.

Table 2: Household Income

INDIVIDUAL MONTHLY INCOME: PERSONS	2007	2001
None	5 076 097	7 001 831
R1 – 400	1 852 232	548 744
R401 – 800	506 078	851 506
R801 – 1600	1 199 727	393 905
R1601 – 3200	370 084	346 716
R3201 – 6400	307 417	253 475
R6401 – 12800	236 783	122 773
R12801 – 25600	82 566	39 314
R25601 – 51200	34 672	12 588
R51201 – 102400	9 379	6 263

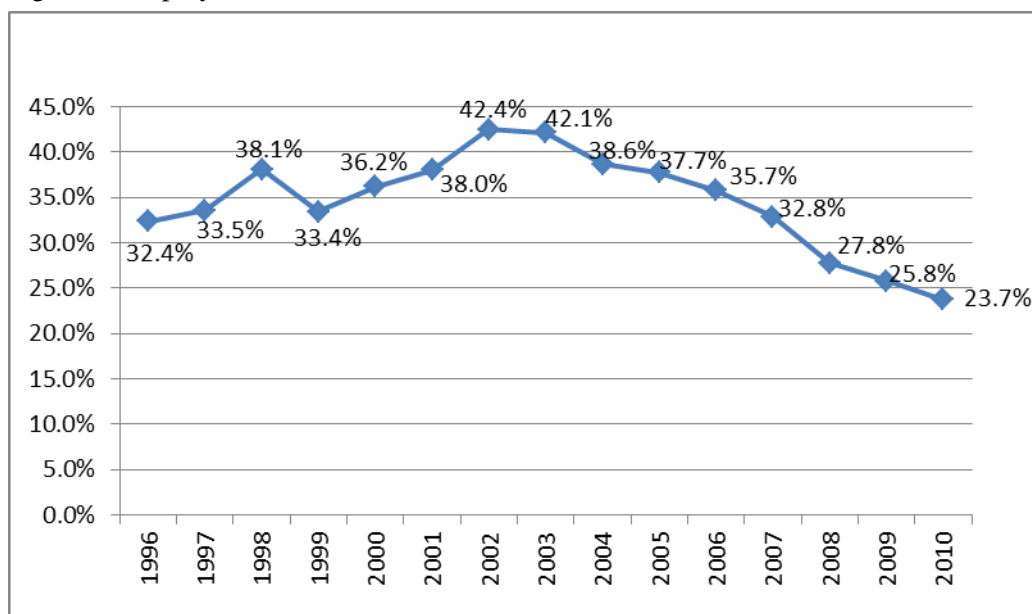
INDIVIDUAL MONTHLY INCOME: PERSONS	2007	2001
R102401 – 204800	9 841	5 424
Over R204801	4 020	1 589
Total Individual Income (pm)	R 13 145 442 400	R 7 365 680 400
Total Individual Income (pa)	R 157 745 308 800	R 88 388 164 800

Source: Provincial Treasury, 2011

As indicated table 2 above, the level of representation drops sharply as income brackets increases. As a result, affordability level is generally low while dependency on social grants is high. 22000 people applied to be registered on the indigent list for the municipality in 2010. Meanwhile, annual personal income (for those who earn income), has increased steadily between 1996 and 2008. This could be ascribed to inflation rather than real increases in income.

2.2.2 EMPLOYMENT Profile

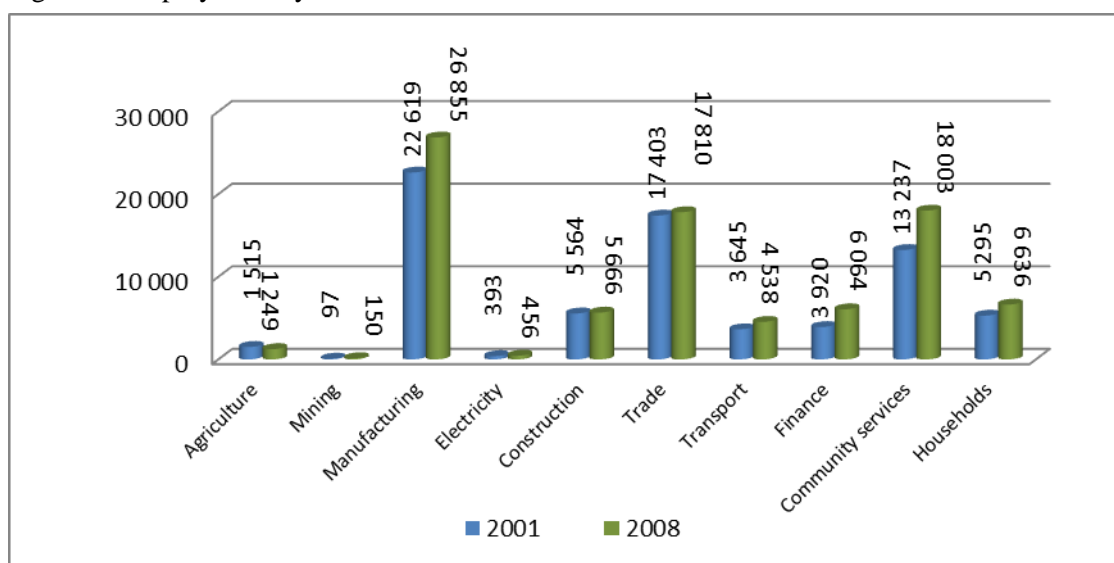
Figure 2: Employment Profile



Source: Provincial Treasury

Although unemployment rate has declined over the last 15 years, unemployment remains one of the critical issues facing Newcastle Municipality. In 1996, 32.4% of the potential labour force was officially unemployed. This figure increased to 42.4% in 2002, but came down again to 23% in 2010 (refer to Figure 2). As indicated in figure 3 below, the manufacturing sector employs the majority of people and includes the formal and informal sector. This is followed by community services and trade. The highest labour remuneration is found in metal products, machinery and household appliances, textiles, clothing and leather goods and is followed by remuneration for the education sector and health and social work.

Figure 3: Employment by Sector



Source: Global Insight

Nevertheless, a still relatively high unemployment rate could be ascribed to a number of factors including the following:

- ✓ a high rate of functional illiteracy;
- ✓ decline and closure of coal mines in the 1980 to the 1990;
- ✓ economic downturn which grossly affected the textile industry;
- ✓ downsizing of ISCOR in the Newcastle area; and
- ✓ Rationalisation of production in the agricultural sector.

2.2.3 General Access to basic Services

The Community Survey 2007 identifies Newcastle as an area with relatively good access to basic services. Table 4 below, indicates the levels of access to basic services such as sanitation, water, electricity and refuse removal. 81.5% of the population has electricity for lighting, 88% has access to piped water, and 73% receives monthly refuse collection service.

Table 2: Basic Services

ACCESS TO ELECTRICITY		ACCESS TO SANITATION	
Lighting	81.5%	Pit latrine	26.4%
Cooking	73.9%	Bucket	0.4%
Heating	59.3%	No toilet	2.6%
REFUSE REMOVAL		ACCESS TO WATER	
No refuse removal	3.6%	Access to piped water	88%
Removed by local authority	73.5%		

Source: Community Survey 2007

However, the standard and level of service differ significantly among areas reflecting the impact of the past apartheid policies. The JBC area and the surrounding settlements are characterised by severe service backlogs and underdevelopment. Table 5 below indicated a summary of service backlogs for 2010.

Table 3: Access to water, Sanitation and Electricity

ACCESS TO BASIC SERVICES			
Water	26%	Refuse removal	25.6%
Sanitation	27.3%	Roads	58.8% (unpaved in poor condition)
Electricity	11.3%		

Source: Newcastle IDP (2010/2011)

2.2.4 Access to Water

Water supply infrastructure in Newcastle Municipality varies between areas reflecting the impact of separate development and urban bias of the past planning and development practices. Newcastle town is generally well provided with water while a few households in Madadeni and Osizweni Townships are experiencing shortage in this regard. Severe backlogs have been reported in rural wards where the level of backlog is as high as 98% in communities within ward 12 (refer to Table 6 below).

Table 4: Water Backlogs

WARD NO.	URBAN/RURAL	NO. OF HOUSEHOLDS 2010	POPULATION PROJECTIONS BY WARD	WATER (BACKLOGS 2010)	WITH WATER	BACKLOG WATER
1	Rural	4 585	32 097	51%	2247	2338
2	Urban	3 614	18 072	2%	3542	72
3	Urban	2 827	14 133	2%	2770	57
4	Urban	3 054	15 271	3%	2962	92
5	Urban	3 188	15 939	2%	3124	64
6	Rural	4 090	28 630	65%	1432	2659
7	Urban	3 876	19 380	53%	1822	2054
8	Urban	2 313	11 564	2%	2267	46
9	Urban	3 797	18 985	24%	2886	911
10	Urban	3 345	16 723	1%	3312	33
11	Urban	3 237	16 184	13%	2816	421
12	Rural	2 603	18 222	98%	52	2551
13	Urban	2 373	11 864	5%	2254	119
14	Urban	4 308	21 541	33%	2886	1422
15	Rural	3 083	21 580	80%	617	2466
16	Rural	2 936	20 550	89%	323	2613
17	Urban	2 925	14 624	2%	2867	59
18	Rural	3 864	27 047	48%	2009	1855

WARD NO.	URBAN/RURAL	NO. OF HOUSEHOLDS 2010	POPULATION PROJECTIONS BY WARD	WATER (BACKLOGS 2010)	WITH WATER	BACKLOG WATER
19	Urban	2 692	13 459	14%	2315	377
20	Urban	2 983	14 917	21%	2357	626
21	Urban	2 941	14 706	13%	2559	382
22	Urban	2 513	12 566	2%	2463	50
23	Urban	2 655	13 275	1%	2628	27
24	Urban	2 932	14 658	34%	1935	997
25	Urban	3 084	15 421	8%	2837	247
26	Urban	2 594	12 968	1%	2568	26
27	Urban	2 900	14 501	5%	2755	145
28	Urban	2 671	13 356	2%	2618	53
29	Urban	3 185	15 925	22%	2484	701
30	Urban	2 696	13 479	2%	2642	54
31	Rural	3 941	27 590	41%	2325	1616
TOTALS		97 805	539 227	24%	72 673	25 132

Source: NLM EMF Status Quo Report

The Newcastle Municipality, in line with National policy on FBW, makes budgetary provision of 6kl per household for indigent families, funded through the Equitable Share. The recently updated Water Services Development Plan (WSDP) indicates that there has been a reduction of 18% in water backlogs between the 2002 and 2010 with an existing water service backlog of 11%.

2.2.5 Access to Sanitation

Similarly, the peri-urban and rural areas with the JBC and rural settlements in the Khathide and AmaHlubi communities are characterised by high sanitation backlogs. The JBC node has no sewerage reticulation in place. The residents rely on over 15 000 ventilated improved pit (VIP) latrines. Most of the VIPs are full and the Municipality spends about R1,0 million every month in de-sludging the VIPs. Plans are underway to formalize Blaawbosch and considerable sewage flows are expected.

Table 5: Sanitation Backlogs

WARD NO.	URBAN/RURAL	NO. OF HOUSEHOLDS 2010	POPULATION PROJECTIONS BY WARD	SANITATION BACKLOGS 2010	WITH SANITATION	BACKLOG SANITATION	FLUSH TOILETS	VIP TOILETS
1	Rural	4 585	32 097	57%	1 972	2613	0	1 972
2	Urban	3 614	18 072	1%	3 578	36	3 614	0
3	Urban	2 827	14 133	3%	2 742	85	2 827	0
4	Urban	3 054	15 271	1%	3 023	31	3 054	0
5	Urban	3 188	15 939	1%	3 156	32	3 188	0
6	Rural	4 090	28 630	86%	573	3517	0	573

WARD NO.	URBAN/ RURAL	NO. OF HOUSEHOLDS 2010	POPULATION PROJECTIONS BY WARD	SANITATION BACKLOGS 2010	WITH SANITATION	BACKLOG SANITATION	FLUSH TOILETS	VIP TOILETS
7	Urban	3 876	19 380	61%	1 512	2364	0	1 512
8	Urban	2 313	11 564	3%	2 244	69	2 313	0
9	Urban	3 797	18 985	36%	2 430	1367	0	2 430
10	Urban	3 345	16 723	2%	3 278	67	1 000	0
11	Urban	3 237	16 184	3%	3 140	97	0	3 140
12	Rural	2 603	18 222	92%	208	2395	0	208
13	Urban	2 373	11 864	11%	2 112	261	0	2 112
14	Urban	4 308	21 541	14%	3 705	603	0	3 705
15	Rural	3 083	21 580	86%	432	2651	0	432
16	Rural	2 936	20 550	76%	705	2231	0	705
17	Urban	2 925	14 624	1%	2 896	29	2 925	0
18	Rural	3 864	27 047	59%	1 584	2280	0	1 584
19	Urban	2 692	13 459	1%	2 665	27	2 692	0
20	Urban	2 983	14 917	30%	2 088	895	2 983	0
21	Urban	2 941	14 706	13%	2 559	382	2 941	0
22	Urban	2 513	12 566	1%	2 488	25	2 513	0
23	Urban	2 655	13 275	1%	2 628	27	2 655	0
24	Urban	2 932	14 658	17%	2 434	498	2 932	0
25	Urban	3 084	15 421	14%	2 652	432	3 084	0
26	Urban	2 594	12 968	2%	2 542	52	2 594	0
27	Urban	2 900	14 501	1%	2 871	29	2 900	0
28	Urban	2 671	13 356	0%	2 671	0	2 671	0
29	Urban	3 185	15 925	1%	3 153	32	1 500	0
30	Urban	2 696	13 479	1%	2 669	27	2 696	0
31	Rural	3 941	27 590	46%	2 128	1813	0	2 128
TOTALS		97 805	539 227	23%	72 837	24 968	51 082	20 499

2.2.6 Access to Electricity

An electricity backlog of 11,3% is estimated for 2012. With the split in the license areas between the municipality and), a partnership has been entered into between ESKOM and the Department of Energy to address backlog holistically and accordingly meet the national targets. This will also be rolled out simultaneously with housing projects. A further concern is the impact that the transfer to RED's will have on financial viability of the Newcastle Municipality.

3 KEY DEVELOPMENT ISSUES

3.1 Regional Role and Significance of Newcastle

The identification of Newcastle as an important secondary investment node with potential for industry, agriculture and tourism, indicates its importance on a regional and provincial scale. Newcastle is strategically located halfway between Johannesburg and the harbours of Durban and Richards Bay, and is well connected to these centres by means of both rail and road infrastructure. The N11, P612 and the P483 are some of the roads running through the NLM serving a national, provincial and regional function.

The town serves as an administrative and economic hub for the north-western part of KwaZulu-Natal. This includes the whole of Amajuba District and some of the surrounding areas in Mpumalanga Province and Umzinyathi District. This raises a key question whether the town is developed with sufficient infrastructure and has enough capacity to play its role as a sub-regional economic hub. Some of the critical infrastructure includes tertiary education and health facilities, regional government offices and sports facilities. Equally important is the ability to create employment opportunities and absorb the urbanising labour force. Therefore, planning for the future development of the NLM should go beyond a narrow focus on local issues and incorporate regional social and economic issues.

3.2 Urbanisation – SUSTAINABLE HUMAN SETTLEMENTS

Urbanisation is the process in which the number of people living in cities increases compared with the number of people living in rural areas. An area is considered to be urbanised when over 50% of its population lives in urban places. Rate of urbanisation in Newcastle has been very rapid, resulting in the development of settlements along P483 in particular as linear settlements from KwaMathukuza through JBC to Khathide in the north.

Rapid urbanisation brings with it many problems as it places huge demands on land, water, housing, transport and employment. In Newcastle like many other South African Towns, apartheid has made the problems of urbanisation more complex. Urbanisation of black people was made difficult by forcing them to live in areas far from the town. With the lifting of racial restrictions on where people may live and work, many unemployed people have migrated to urban centres such as Newcastle in search of work, bringing their families with them. The shortage of accommodation in town has forced them to live in informal settlements hence the informal settlements that are spread throughout the area with huge concentrations in the eastern areas. Land under the control of Ubohlebonzinyathi Community Authority has also been specifically targeted as these areas present opportunities for a rural lifestyle in an urban context.

This presents the municipality with a challenge to devise strategies to manage the urbanisation phenomenon, and ability to undertake pro-active planning in anticipation of population growth. All housing projects undertaken to-date have been reactive.

3.3 Inefficient Spatial Structure

While the regional economic development forces remain one of the main structuring elements within the NLM, the past apartheid policies have had a profound impact on the structure and functionality of the area. It fragmented communities, marginalised their economic activities and undermined their participation in the economy. It located people in areas with poor access to urban services and facilities, and effectively entrenched the philosophy of unequal development.

The NLM could broadly be described as an apartheid region in the sense that it embodies most if not all the attributes of apartheid spatial patterns. These include the following:

- Low density sprawl which is fuelled in the Newcastle West by anti-city values of suburbia which promotes large plots as an image of good urban living. Factors that contribute to urban sprawl includes continued existence of low density residential suburbs designed in terms of garden city concepts, and entrenched into the Town Planning Scheme through inflexible density controls and scheme clauses such as coverage, minimum site sizes and permissible uses, and easy access to land for settlement in the east.
- Cellular development pattern that occurs in relatively discrete pockets based on the introverted concept of neighbourhood unit or super block. This has given rise to a coarse grain urban environment characterized by single dwelling units and building ancillary thereto on large plots of land (garden city concept). As such there is a high impact on available land in relation to population size, and travel within the city is costly in terms of time. This gives rise to inefficiency in the use of energy, transportation and movement, and delivery of services.
- Separation of land uses, urban elements, races and income groups. The dominant land use pattern resembles a series of relatively homogenous blobs of different uses tied together by high speed transport routes. The separation of places of work and residence was deeply entrenched in the philosophy of urban management. A large number of the poor are living on the urban periphery further away from the opportunities.
- Despite businesses being attracted to decentralised locations, the central area has shown some resilience in that new businesses have moved in to occupy space vacated by those who have moved to decentralised locations. However, decay/decline is evident in some sections of the central area.

The combined consequences of these spatial patterns have been phenomenal leaving the area with entrenched inequality and functional inefficiency. It created islands of spatial affluence in a sea of geographical misery (CSIR, July 2002:4). It created a distorted, fragmented, incoherent and

inefficient settlement pattern. It also gave rise to spatial, social and economic exclusion of certain race groups to the benefit of other, and created a poorly functioning land and housing market.

3.4 Economic Stagnation

Over the last few decades, the economy of the Newcastle Municipality area of jurisdiction experienced variable trends marked, in all, by shift from one sector to the other and general decline in both output and performance. Although some mining activities are still evident in the area, it is no longer appropriate to regard Newcastle as a coal mining town. The same applies to agriculture. Both sectors have shed a number of jobs and their contribution to the local economy is at the lowest point ever. Manufacturing remains the main economic activity in the NLM, but is itself facing a number of structural challenges which if not addressed at this juncture will relegate this sector into insignificance. These challenges include the dominance of the clothing and textile sub-sector which implies the lack of economic diversity, poor labour conditions in some of the factories and lack of new investment.

In the light of this, there is an urgent need to redefine the role of Newcastle in the provincial and national economy. This may include the identification of new sectors, diversification of some existing factors and strengthening functional integration between Newcastle Town and the surrounding rural hinterland. Tourism development is also one of the key sectors that need to be explored.

3.5 Poor Access to Social Facilities

Huge backlogs in the delivery of public services have been identified as one of the key issues facing Newcastle Municipality. It manifests itself in the following forms:

- Poor condition of schools, which does not contribute to building a culture of learning and teaching.
- Poor access to institutions for early childhood education. This field has been identified by the national government as a priority area of intervention.
- Poor access to health services which affects delivery of primary health care. The latter is a strategy used by the national government to deliver health services.
- Poor access to library services which also affects the development of a culture of learning and teaching.
- Poor access to welfare services including pension pay points, magistrate services, etc.
- Poor access to cemeteries.

3.6 Infrastructure Backlog

Access to basic services is one of the main elements of socio-economic wellbeing of an area. The status of the physical and economic development level of a community such as that of Newcastle is

often measured based on the provision and quality of infrastructure for technical services, i.e. access to roads, electricity, water and sanitation. These are found to be a huge challenge for Newcastle Municipality whereas the town suffers from maintaining of existing services while rural areas have no basic services at all. In addition, the Newcastle Local Municipality is challenged with the maintenance and development of basic road and storm water infrastructure to serve the local community, particularly in the Newcastle East. This will be severely constrained by limited financial resources. Public transport plays an important role in the economy of Newcastle and deserves some attention in the planning efforts of the municipality.

3.7 Poor Quality of the Environment

The quality of the environment within the NLM requires an urgent attention. This is symbolized mainly by the following:

- Deteriorating quality of water due to mining activities, pit latrines, use of pesticides and fertilizers, and other water contaminating activities.
- Poor air quality due to emissions. Equipment for air quality monitoring is in place but has not been maintained. Closer collaboration with local industries needs to be developed in this regard.
- Urbanization which results in the establishment of settlements in areas that is unsuitable for human habitation. These include floodlines, wetlands, etc.
- Waste collection and disposal. The municipality needs to work together with local communities, particularly in the townships to develop community based programs for keeping the area clean.
- General lack of active open space in the NLM, particularly the township areas.
- Dirt roads which also contribute to a sterile environment.

3.8 Financial Management and Accounting

The general lack of requisite knowledge by the finance team on GRAP/GAMAP requirements culminates in:

- An inability to account for financial accounts in line with GRAP/GAMAP accounting standards;
- Reliance on consultants in preparing financial statements in line with GRAP/GAMAP requirements by municipalities already converted from IMFO to GRAP/GAMAP;
- Lack of preparedness by those municipalities still to convert to GRAP/GAMAP requirements; and
- Financial systems not geared towards GRAP/GAMAP requirements.

In addition, the financial diagnostic report identifies the following challenges in financial administration, management and reporting within municipality:

- Lack of systems of internal controls to manage assets evidenced by asset registers not updated when acquisitions, impairments or disposals are made. Reconciliations' of the asset register to the general ledger not performed. Further, the existence of assets cannot be ascertained due to a lack of ongoing process to verify them.
- Inadequate revenue collection systems within municipalities evidenced by low recovery of amounts owed for municipal services from consumer debtors, Lack of procedures to enforce recovery of debts or follow-up on outstanding amounts, Lack of advice to the council on revenue enhancement mechanisms.
- Lack of month end discipline resulting in month end closure not performed, critical month end reconciliations not performed, inability to identify completeness of recording of transactions, and inability to report meaningfully to the municipal structures on financial performance;
- Poor record management resulting in difficulties in tracing financial records supporting the financial affairs of the municipality;
- Lack of processes to identify and manage unauthorised, irregular and wasteful expenditure;
- Issues raised by the Office of the Auditor General not followed up and cleared on time.

3.9 High Rate of Poverty

Poverty manifests itself in different dimensions with income poverty and human poverty being the most common. Income poverty refers to the lack of sufficient income to satisfy basic food needs and essential non-food needs such as clothing, energy and shelter. It arises from a high rate of unemployment, poor access to productive resources, lack of marketable skills and general lack of job opportunities.

Human poverty broadly refers to the lack of basic human capabilities and it arises from high representation of the members who cannot read, write and numerate food insecurity, malnutrition, declining life expectancy, increase of sickness and deaths related to preventable diseases and poor access to basic services. Overcrowding also contributes to this situation.

3.10 Impact of HIV and AIDS

Accurate statistical information about the prevalence of HIV and AIDS in the NLM could not be obtained. However, AIDS has generally been identified as one of the key factors that will influence development over the next few decades. HIV and AIDS will lead to a range of social and economic problems including the following:

- Increase in the dependency ratio as the number of the economically active who dies of AIDS increase.

- Increase in the number of orphans, which in turn may put strain on the limited welfare budget.
- Decline of population with 20 and below years of age.
- Increase in the number of households with members who need special care and treatment thus putting burden on their families, particularly women who are often the ones who look after the sick in addition to their daily activities
- Slowing of population growth.
- Lack of income in cases where breadwinners die of AIDS.
- Low productivity rate.

3.11 Debt Management

Newcastle Municipality has a total debt roll amounting to R 748 934 335. The majority of this is more than 180 days old. Individual households account for R647 851 436 of this amount while government departments owe about R23 174 411. This situation arises from a number of factors including the following:

Lack of control over excessive water leaks is the main and major contributing factor for low payment factor – where does a person start paying an account when it amounts to thousands of rands.

- Indigent using excess water – about 14100 indigent accounts have arrears of R 178 million leaving only about 7000 accounts having balances of less than R 500.
- Electricity meter audit not yet finalized – awaiting technical section report
- Lack of community and or buy in from communities
- No policies regarding water leaks other than that account is to be paid
- Need an improved customer care facility, i.e. call centre, with a proper query recording system.

However, the politicians are showing the political will to resolve this predicament by resolving that a Task Team needs to be established with a clear plan to improve the payment factor.

4 DEVELOPMENT STRATEGY

Development strategy for the NLM is designed to fit-in and give effect to the intention of both the national and provincial development strategies. This includes at a national development plan (Vision 2030) and various government programs. NLM IDP also fits within the provincial development framework as set out in the PGDS. The NLM strategy covers the following:

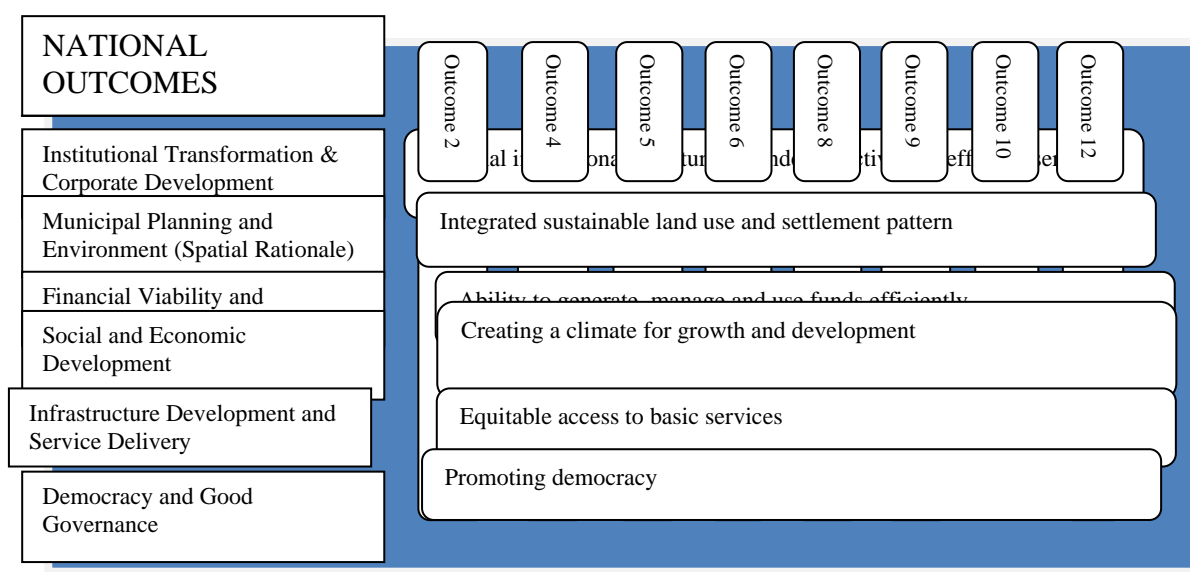
- Strategic fit (alignment with national and provincial development strategies).
- NLM long-term strategic direction and organizational culture.
- NLM short to medium term strategies and action plans.

4.1 Alignment with National and Provincial Strategies

4.1.1 Strategic Fit: National

The strategic approach is meant to highlight the impact that the municipality seek to create in the short to long term period. As indicated on Figure 8 below, in addition to outcome 9, the NLM will contribute to the attainment of outcomes 2, 4, 5, 6, 8, 9, 10 and 12 with the 5 KPA as the strategic areas for intervention. As such, the development strategy for the NLM is designed to address issues that are specific to the NLM while also contributing to the attainment of the national priorities.

Figure 9: Strategy Map



4.1.2 Local Government Turn Around Strategy

An ideal South African Municipality strives to contribute to building a developmental state as envisaged in the Constitution and outlined in various local government legislation. This includes undertaking the following activities:

- Provide democratic and accountable government for local communities
- Be responsive to the needs of the local community
- Ensure the provision of services to communities in a sustainable manner
- Promote social and economic development
- Promote a safe and healthy environment
- Encourage the involvement of communities and community organisations in the matters of local government
- Facilitate a culture of public service and accountability amongst its staff

- Assign clear responsibilities for the management and co-ordination of these administrative units and mechanisms.

The outcomes of meeting these objectives as identified by the Local Government Turnaround Strategy include:

- The provision of household infrastructure and services
- The creation of liveable, integrated and inclusive cities, towns and rural areas
- Local economic development
- Community empowerment and distribution

4.1.3 Newcastle Turn Around Strategy

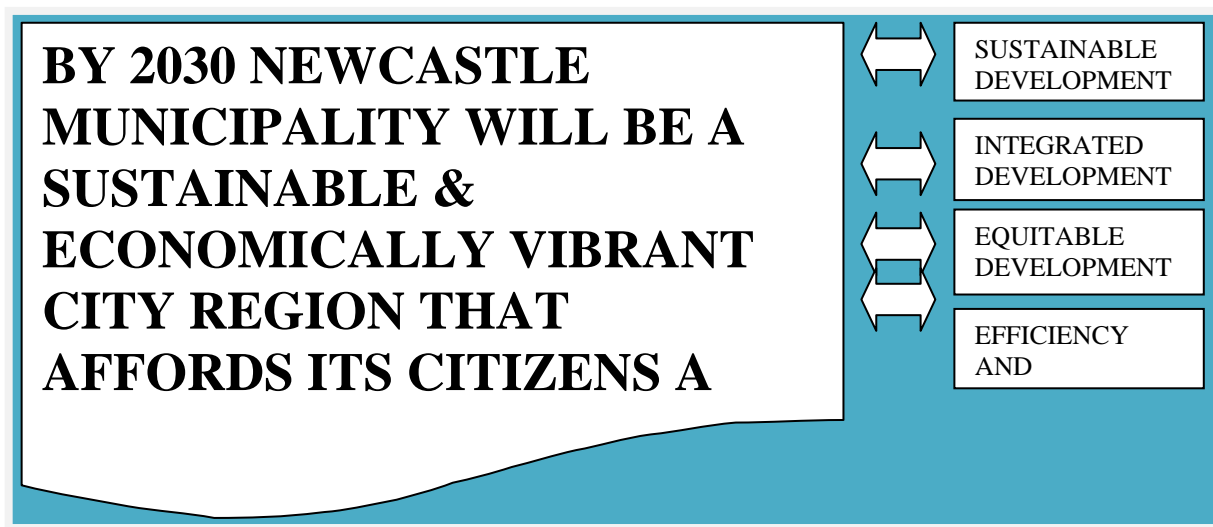
Newcastle Municipality has prioritised the following as part of the municipal turnaround strategy:

- Service Delivery (Maintenance existing levels, Rehabilitation of infrastructure and backlogs)
- Fast Track Sustainable Human Settlements through Housing and Rural Development Program
- Develop Consolidated Infrastructure Plan and Capital Investment Plan for implementation
- Debt Management – increase payment factor
 - ✓ Revenue enhancement
 - ✓ Debt Control
 - ✓ Revenue Collection
- Integration and Co-ordination (Establishment of Economic Forums)
- Clean Audit by 2014
- Intergovernmental relations
- Identify infrastructure that support economic development
- Development of Communication Strategy
- Halving poverty and unemployment by 2014

4.2 Vision, Mission and Core Values

The following vision and mission statement for Newcastle Municipality were formulated at a strategic planning session with active participation of both the political and administrative components of the municipality. The vision commits the municipality to sustainable, integrated, equitable and effective development.

4.2.1 Newcastle Municipality Development Vision



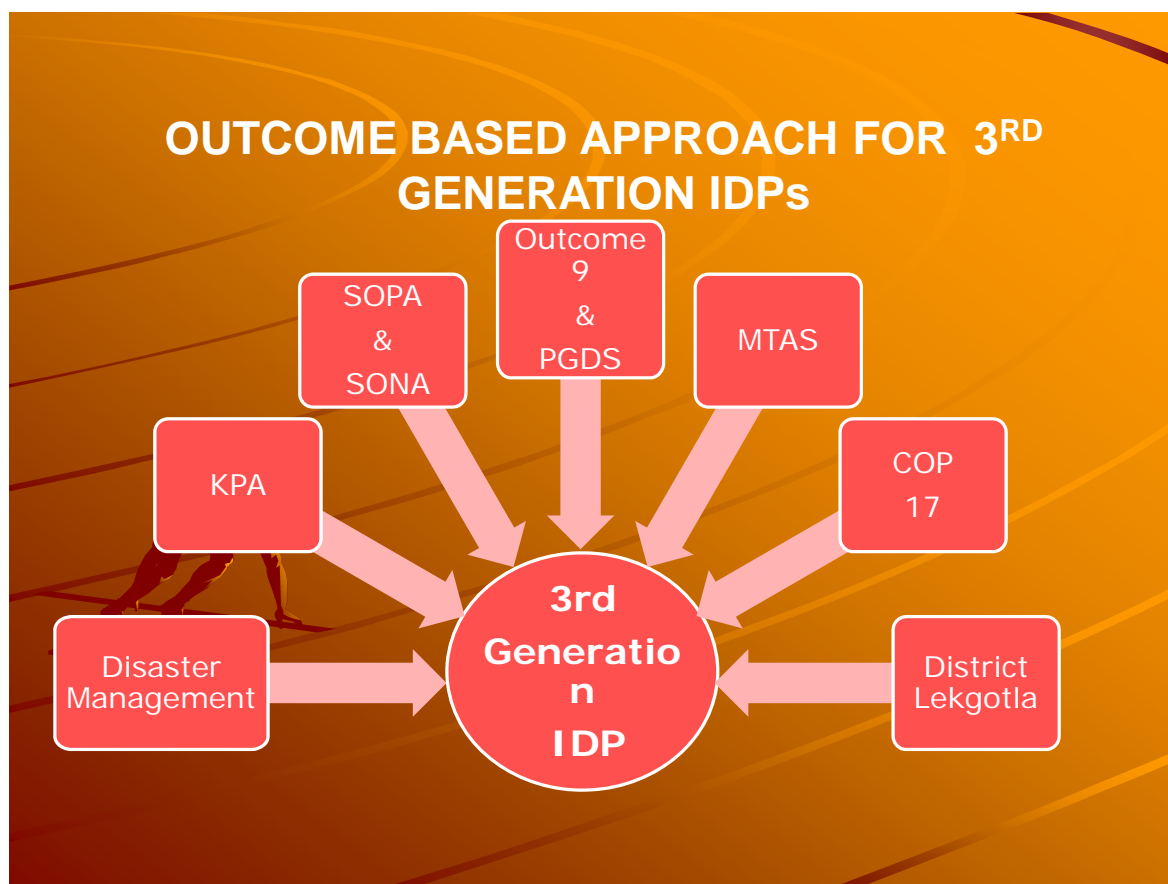
4.2.2 Mission Statement

Newcastle Municipality commits to the following mission Statement:

- **Render sustainable services**
- **Creating an environment conducive to economic growth.**
- **To become the Regional Centre for Investment attraction for Northern KZN.**
- **Improve service delivery.**
- **Offer good governance and public participation.**
- **Best ITC municipality in the local government sphere**

The mission statement acknowledges the objects of local government as outlined in various local government legislation and given effect through the IDP and the associated sector plans. It also seeks to align the municipal strategic activities, structure and resource allocation with the powers and functions as prescribed in the Constitution.

4.2.3 Third Generation IDP



8. MEASURABLE PERFORMANCE OBJECTIVES

8.1 Key Performance Indicators

NATIONAL KPA	IDP KPA	VOTE/ RESPONSIBLE DIRECTORATE	OBJECTIVE	STRATEGY	KEY PERFORMANCE INDICATOR
FINANCIAL VIABILITY	Financial Viability and Community Communication	FINANCE	To increase the payment factor to 90% by 2011 - To encourage non-indigent consumers to pay	To implement Credit Control policy	Percentage increase in payment factor
DEMOCRACY AND GOVERNANCE	Financial Viability and Community Communication	ADMINISTRATION	To ensure that efficient communication mechanisms are implemented to enhance service delivery	To establish and ensure functional Ward Committees by 2007	Number of Ward Committee meetings held
DEMOCRACY AND GOVERNANCE	Financial Viability and Community Communication	MUNICIPAL MANAGER	To ensure that efficient communication mechanisms are implemented to enhance service delivery	To establish and ensure a functional IDP RF	Number of IDP RF meetings held
DEMOCRACY AND GOVERNANCE	Financial Viability and Community Communication	ADMINISTRATION	To ensure that efficient communication mechanisms are implemented to enhance service delivery	To develop mass communication mechanisms	Number of imbizo's , road shows etc
FINANCIAL VIABILITY	Financial Viability and Community Communication	FINANCE	To ensure an effective and efficient Financial Management System by 2010	To investigate a Phased approach for the review of the FMS to integrate with other Internal ICT systems	As per project process plan
FINANCIAL VIABILITY	Financial Viability and Community Communication	ADMINISTRATION	Implementing the Property Rates Act	To finalise the Valuation Roll for implementation of the Act in 2008/2009	As per process plan
FINANCIAL VIABILITY	Financial Viability and Community Communication	HOUSING AND LAND	To Improve revenue base	To ensure that land is available for development	Percentage of available land alienated
FINANCIAL VIABILITY	Financial Viability and Community Communication	INFRASTRUCTURE SERVICES	To ensure an effective and efficient Asset Management System for identified functions	To develop and implement Asset Management Plan for : - Water and Sanitation - CBD road infrastructure - Fleet Management	As per process plan
FINANCIAL VIABILITY	Financial Viability and Community Communication	HOUSING AND LAND	To ensure that service levels/standards are linked to the ability to pay for services	To ensure that all new developments comply with service standards within the beneficiary ability to pay for services	Number of social compacts signed
LOCAL ECONOMIC DEVELOPMENT	Financial Viability and Community Communication	ECONOMIC DEVELOPMENT	To facilitate the reduction of unemployment by 20% by 2011	To promote/facilitate employment	Percentage reduction in unemployment
LOCAL ECONOMIC DEVELOPMENT	Financial Viability and Community Communication	ECONOMIC DEVELOPMENT	To promote and create a conducive environment for economic growth	To promote the development of SMME's and encourage BBBEE's	Number of workshops held
LOCAL ECONOMIC DEVELOPMENT	Financial Viability and Community	ECONOMIC DEVELOPMENT	To promote and create a conducive environment for	To stimulate foreign investment	Number of new business/industries

NATIONAL KPA	IDP KPA	VOTE/ RESPONSIBLE DIRECTORATE	OBJECTIVE	STRATEGY	KEY PERFORMANCE INDICATOR
	Communication		economic growth		attracted
INFRASTRUCTURE AND SERVICES	Financial Viability and Community Communication	INFRASTRUCTURE SERVICES	To promote and create a conducive environment for economic growth	To improve infrastructure needs to meet demand	Percentage of infrastructure budget spent for new developments
LOCAL ECONOMIC DEVELOPMENT	Job Stimulation and Local Economic Development	ECONOMIC DEVELOPMENT	To promote and create a conducive environment for economic growth	To develop and implement an Investment and Marketing Strategy by 2008	Number of new jobs created
FINANCIAL VIABILITY	Job Stimulation and Local Economic Development	HOUSING AND LAND	To promote and create a conducive environment for economic growth	To audit all properties in Municipal area.	Progress report
LOCAL ECONOMIC DEVELOPMENT	Job Stimulation and Local Economic Development	ECONOMIC DEVELOPMENT	To facilitate the re-opening and rehabilitation of Mines	Rehabilitation of Mines.	Progress report
INFRASTRUCTURE AND SERVICES	Roads & Storm Water	INFRASTRUCTURE SERVICES	To ensure that 10km of Urban Access roads and relevant storm water drainage of inaccessible roads in previously disadvantaged areas to a TAR level is addressed annually	Identify priority Urban Access Roads for upgrading	Percentage of budget spent
INFRASTRUCTURE AND SERVICES	Roads & Storm Water	INFRASTRUCTURE SERVICES	To improve infrastructure needs to meet demand	To develop a Storm water Master Plan	As per process plan
INFRASTRUCTURE AND SERVICES	Roads & Storm Water	INFRASTRUCTURE SERVICES	To ensure that all Main Taxi Routes are tarred	Investigate costs for the upgrading of Main Taxi Routes	As per process plan
INFRASTRUCTURE AND SERVICES	Roads & Storm Water	INFRASTRUCTURE SERVICES	To ensure that a minimum of R10m is allocated for Road and Storm water infrastructure maintenance in 2007/2008 to be escalated by 10% annually thereafter	Budget Guidelines to include minimum maintenance requirements	Percentage of budget spent
INFRASTRUCTURE AND SERVICES	Roads & Storm Water	INFRASTRUCTURE SERVICES	To ensure that a minimum of R10m is allocated for Road and Storm water infrastructure maintenance in 2007/2008 to be escalated by 10% annually thereafter	A 5 year maintenance plan be developed (Identify roads and prioritize as per IDP)	Progress Report
INFRASTRUCTURE AND SERVICES	Roads & Storm Water	INFRASTRUCTURE SERVICES	Paving of sidewalks and access roads	Identify areas of high risk for prioritization and costing	Progress Report
INFRASTRUCTURE AND SERVICES	Roads & Storm Water	TOWN PLANNING	TO ensure that all street names are finalized for previously disadvantaged areas	To finalise and implement street naming policy	Percentage of budget spent
INFRASTRUCTURE AND SERVICES	Housing and Land	HOUSING AND LAND	To ensure 50% of housing backlogs as per the waiting list being addressed by 2011	Identify suitable land for housing development for 12500 household	Percentage reduction of backlogs

NATIONAL KPA	IDP KPA	VOTE/ RESPONSIBLE DIRECTORATE	OBJECTIVE	STRATEGY	KEY PERFORMANCE INDICATOR
INFRASTRUCTURE AND SERVICES	Housing and Land	HOUSING AND LAND	To ensure that 100% of beneficiaries of the EEDBC is addressed by 2008	In progress	Percentage of transfers finalised for beneficiaries approved for EEDBC
INFRASTRUCTURE AND SERVICES	Housing and Land	HOUSING AND LAND	Improve Customer Satisfaction	Review, implementation and monitoring of Customer Care Policy	Reduction in number of complaints received
INFRASTRUCTURE AND SERVICES	Housing and Land	HOUSING AND LAND	To Access additional funds for housing develop	To package applications for approval by DoH – In progress	Number of applications approved by DoH
INFRASTRUCTURE AND SERVICES	Housing and Land	HOUSING AND LAND	To ensure slum clearance by 2010		
INFRASTRUCTURE AND SERVICES	Housing and Land	HOUSING AND LAND	To facilitate and fast track land reform	Engage DLA on Area Based Sector Plan	Progress as per Process Plan
INSTITUTIONAL TRANSFORMATION	Organisational Restructuring	HUMAN RESOURCES	To ensure 100% implementation of Employment Equity Plan by 2011	Implement the Employment Equity Plan of Council	Percentage compliance with EEP
INSTITUTIONAL TRANSFORMATION		HUMAN RESOURCES	To ensure the implementation of HIV/AIDS strategies	Mainstreaming of HIV/AIDS strategies	As per HIV/AIDS Process Plan
INSTITUTIONAL TRANSFORMATION	Organisational Restructuring	HUMAN RESOURCES	To ensure that 100% of vacancies as per the reviewed Organisational Structure are filled by 2011	To ensure that vacancies are filled as budgeted	Number of vacancies filled as per budget
DEMOCRACY AND GOVERNANCE	Organisational Restructuring	ADMINISTRATION	To ensure accessibility of municipal offices by the community by 2010	To investigate and implement strategic location of all municipal offices	Progress Report
INSTITUTIONAL TRANSFORMATION	Organisational Restructuring	MUNICIPAL MANAGER	To ensure an effective and functional Internal Audit	As per Audit Plan	Percentage compliance as per Audit Plan
INSTITUTIONAL TRANSFORMATION	Organisational Restructuring	MUNICIPAL MANAGER	To ensure that the IDP is approved and implemented	Develop IDP	As per process plan
INSTITUTIONAL TRANSFORMATION	Organisational Restructuring		To ensure that the IDP implemented	To finalise the restructuring process	Percentage of macro structure filled
INSTITUTIONAL TRANSFORMATION	Organisational Restructuring	HUMAN RESOURCES	To adequately develop skills to improve service delivery	To review and implement the Skills Development Plan	Percentage of budget spent
INFRASTRUCTURE AND SERVICES	Water & Sanitation	INFRASTRUCTURE SERVICES	To ensure backlogs are addressed by 2017 in line with WSDP	To prioritise projects as per WSDP	Percentage of households with access to a minimum level of service
INFRASTRUCTURE AND SERVICES	Water & Sanitation	INFRASTRUCTURE SERVICES	To ensure maintenance and rehabilitation of infrastructure.	To prioritize projects as per WSDP	Percentage of budget spent
INFRASTRUCTURE AND SERVICES	Water & Sanitation	INFRASTRUCTURE SERVICES	To ensure a basic/minimum level of service to un-served areas by the WSP	Provision of a water tank service	Number of households using a water tanker services
INFRASTRUCTURE AND SERVICES	Water & Sanitation	INFRASTRUCTURE SERVICES	To reduce water and sanitation backlogs by 50% by 2011	To prioritize and fund projects as per WSDP	Percentage of backlogs addressed for water and

NATIONAL KPA	IDP KPA	VOTE/ RESPONSIBLE DIRECTORATE	OBJECTIVE	STRATEGY	KEY PERFORMANCE INDICATOR
					sanitation
INFRASTRUCTURE AND SERVICES	Water & Sanitation	INFRASTRUCTURE SERVICES	To provide Water and Sanitation to Public Facilities(Clinics, Schools, Churches etc)	Identify facilities without service	Percentage of facilities serviced
INFRASTRUCTURE AND SERVICES	Water & Sanitation	MUNICIPAL MANAGER	To ensure the viability of the Entity (WSP) by 2008	Review SP Agreement – In progress	Progress Report to Council quarterly
INFRASTRUCTURE AND SERVICES	Water & Sanitation	INFRASTRUCTURE SERVICES	To rehabilitate bulk infrastructure in line with the WSDP	Prioritise projects and source funding as per WSDP	Progress Report
INFRASTRUCTURE AND SERVICES	Water & Sanitation	INFRASTRUCTURE SERVICES	To ensure that provision of maintenance of infrastructure annually(as per budget guidelines)	Refer to WSP	Approval of budget aligned to WSDP
INFRASTRUCTURE AND SERVICES	Water & Sanitation	HUMAN RESOURCES	To establish a fully functional WSA	Source funding and or provide on Budget in terms of Business Plan	Progress Report
LOCAL ECONOMIC DEVELOPMENT	Education/Skills Development	ECONOMIC DEVELOPMENT	To facilitate ABET in Newcastle.	To engage Tertiary institutions	Number of ABET classes confirmed with Tertiary institutions
INFRASTRUCTURE AND SERVICES	Education/Skills Development	TOWN PLANNING	To facilitate the provision of adequate Primary and secondary education facilities including crèches	To engage with DoE and relevant stakeholders	Progress Report
LOCAL ECONOMIC DEVELOPMENT	Education/Skills Development	ECONOMIC DEVELOPMENT	To facilitate the establishment of skills centres.	To engage Private and public sector	Progress Report
INFRASTRUCTURE AND SERVICES	Electricity	INFRASTRUCTURE SERVICES	To electrify public facilities	Identify public facilities without access to electricity	Percentage of facilities being serviced
INFRASTRUCTURE AND SERVICES	Electricity	INFRASTRUCTURE SERVICES	To construct high mast lights in previously disadvantaged areas	Allocation of R2m per annum to be provided for	Percentage of budget spent
INFRASTRUCTURE AND SERVICES	Electricity	INFRASTRUCTURE SERVICES	Provision of FBE in unlicensed areas	Identify beneficiaries in conjunction with ESKOM	Number of indigent beneficiaries receiving FBE
INFRASTRUCTURE AND SERVICES	Electricity	INFRASTRUCTURE SERVICES	Provision of FBE in licensed area(prepaid)	Investigate roll out of FBE to prepaid consumers in Newcastle License area	Number of indigent beneficiaries receiving FBE in licensed area
INFRASTRUCTURE AND SERVICES	Electricity	INFRASTRUCTURE SERVICES	To ensure that infrastructure is maintained and rehabilitated annually	Provision on Budget of 3% of value of asset annually for maintenance	Percentage of value of asset budgeted for maintenance
INFRASTRUCTURE AND SERVICES	Electricity	INFRASTRUCTURE SERVICES	Maintenance of lighting along Provincial roads	Engage DOT	Progress Report
INFRASTRUCTURE AND SERVICES	Primary Health	INFRASTRUCTURE SERVICES	To improve accessibility to facilities in rural areas	Refer to Roads and Storm water	Progress Report

NATIONAL KPA	IDP KPA	VOTE/ RESPONSIBLE DIRECTORATE	OBJECTIVE	STRATEGY	KEY PERFORMANCE INDICATOR
INFRASTRUCTURE AND SERVICES	Primary Health	COMMUNITY SERVICES	To improve health services	To engage Dept of Health	Progress Report
FINANCIAL VIABILITY	Spatial development	TOWN PLANNING	To encourage better usage of vacant land	Identify open spaces/areas for development	Number of area based plans compiled
FINANCIAL VIABILITY	Spatial development	TOWN PLANNING	To encourage better usage of vacant land	To investigate Mixed use zones as per LUMS	Number of rezoning applications processed for Mixed use zones
INFRASTRUCTURE AND SERVICES	Spatial development	TOWN PLANNING	To encourage better usage of vacant land	To ensure that the SDF is reviewed annually	Approval of SDF
INFRASTRUCTURE AND SERVICES	Spatial development	TOWN PLANNING	To encourage better usage of vacant land	To investigate CBD regeneration including parking provision and residential provision	As per CBD Development Plan
INFRASTRUCTURE AND SERVICES	Spatial development	TOWN PLANNING	To encourage better usage of vacant land	To implement Urban Renewal strategies (JBC Precinct)	Percentage of Capital budget invested in JBC
INFRASTRUCTURE AND SERVICES	Spatial development	TOWN PLANNING	To encourage better usage of vacant land	To investigate and source funding for East and West integration (Mad& Osizweni Corridor)	Number of projects funded
INFRASTRUCTURE AND SERVICES	Refuse Removal	COMMUNITY SERVICES	To ensure that backlogs are addressed	Render either a Skip(Communal) or bag collection service in Blaauwbosch and Dry Cut (6000 households)	Number of household with at least a weekly service
INFRASTRUCTURE AND SERVICES	Refuse Removal	COMMUNITY SERVICES	To ensure that backlogs are addressed	To address backlogs linked to completed housing projects (Section E Osizweni and KwaMathukuza)	Percentage Reduction in backlogs
INFRASTRUCTURE AND SERVICES	Disaster Management	COMMUNITY SERVICES	To ensure that fire hydrants meets standards as stipulated in legislation	Prepare business Plan and Investigate funding sources	Progress Report
INFRASTRUCTURE AND SERVICES	Disaster Management	COMMUNITY SERVICES	To ensure that fire hydrants meets standards as stipulated in legislation	To annually review the Disaster Management Plan	As per process plan
INSTITUTIONAL TRANSFORMATION	HIV/AIDS	MUNICIPAL MANAGER	Strategy in Progress (Incorporate)		As per process plan
INFRASTRUCTURE AND SERVICES	Environment	COMMUNITY SERVICES	To ensure a safe environment	Development and implementation of EMP	Progress Report

8.2 Free and Subsidised Basic Services

Municipalities play central role in supporting economic development and alleviating poverty. The provision of basic services is a critical input to social well being and economic activity. Newcastle Municipality comprises both rural and urban areas as well as wide spread of income groups. Due to variation in living environment, the municipal area has a number of households who currently do not have access to all services.

The basic social package is an affirmation of the Municipality's commitment to push back the frontiers of poverty by providing a social welfare to those residents who cannot afford to pay, because of adverse social and economic realities. The social package will also assist the Municipality in meeting its constitutional obligations.

The estimated cost of social package (income foregone through indigents) amounts to R62.6 million for the 2012/13 budget year. Details of initiatives carried out by Newcastle Council in this regard are detailed below:

Service	Social Package	Million (R)
Assessment Rates	All residential property owners are exempt from paying rates on the first R15,000 of the property value. Indigent residents will receive 100% rebates on rates.	10.4
Water	The first 12kl of water is free to all residents qualified as indigents in terms of the policy	8.8
Electricity	The first 50kwh of electricity is free to all residents qualified as indigents in terms of the policy	5,5
Refuse	Refuse is free to all residents qualified as indigents in terms of the policy	20.8
Sewer	Sewer is free to all residents qualified as indigents in terms of the policy	16.9
Indigent Support		62.6

The cost of indigent benefit to tune of R62.6 million is funded from the equitable share provided by the National Government, which amount is based on the estimated ±21000 number of indigents currently in the Indigent Register.

9. OVERVIEW OF BUDGET RELATED POLICIES OVERVIEW AND AMENDMENTS

The Municipality's budget is guided and governed by relevant legislation and budget related policies. The main purpose of budget related policies is to guide the budget process and inform the projections of the medium-term budget.

The following budget related policies, which have been approved by Council or currently under review, are currently in force to ensure an informed smooth budgetary process and financial management of the Municipality in line with the Municipal Finance Management Act, other relevant legislation and Accounting Standards.

9.1 Tariff Policy

The current Tariff Policy, which the municipality adopted in terms of section 74 of the Local Government Municipal Systems Act, is currently being reviewed. The draft policy is still at management discussion and will soon be submitted to the Executive Committee and Council for approval.

9.2 Assessment Rates Policy

Section 3(1) of the Local Government Municipal Rates Act, 6 of 2004, and sections 62(1) of the MFMA determines that a municipality must adopt and implement a rates policy on the levying of rates on rateable properties. The policy was approved by Council in the 2009/10 financial for implementation with effect from 01 July 2009.

9.3 Credit Control, Debt Collection and Customer Care Policy

This policy is currently being reviewed and the draft was considered as part of the draft budget tabled to Council on 31 March 2010. The Budget and Treasury Office is currently busy identifying revenue enhancement strategies which will be in with the reviewed Credit Control, Debt Collection and Customer Care Policy. The relief measures for indigent consumers are also catered for under this policy.

9.4 Supply Chain Management Policy

The reviewed Supply Chain Management Policy was implemented by Council on 12 December 2011. It was considered is currently under review and amendments thereon are expected to be approved by Council during consideration of the budget.

9.5 Cash Manager and Investment Policy

This policy was approved by Council with effect from January 2008 as required by the MFMA. It was considered unnecessary to further amend the policy during the current budget process.

9.6 Asset Management Policy

This policy was approved by Council with effect from January 2008 as required by the MFMA. It was considered unnecessary to further amend the policy during the current budget process. The Budget and Treasury Office is currently busy with the compilation of asset register in terms of GRAP accounting standards, which might result in the Asset Management Policy being reviewed.

9.10 Subsistence and Travelling Policy

The Subsistence and Travelling Policy was reviewed and adopted Council on January 2009. The implementation of the subsistence and travelling policy has a budgetary implication in appropriation of funds for travelling, accommodation and meals for Municipal Officials and Councillors embarking on business related trips.

Other new budget-related policies that have been submitted to Council for approval are the following:

9.11 Tariff Policy

9.12 Debt Write-off Policy

9.13 Indigent Policy

9.14 Budget Policy

9.15 Virement Policy

9.16 Funding and Reserve Policy

9.17 Borrowing Policy

9.18 Petty Cash Policy

10 BUDGET ASSUMPTIONS

10.1 General Inflation Outlooks and its Impact

The global economy grew by an average of 5% from 2003 to 2007. It was a period of robust expansion but also of widening international imbalances. Over the past six years, our economy has enjoyed rapid growth, rising employment and household income, a major expansion in public services and significant income and asset transfers to the poorest South Africans. However, 2008 saw the gathering of storm clouds as industrialised countries moved into recession into the latter part of the year, interrupting a lengthy spell of sustained, positive growth in national and local economies. South African economy was no exception with the economy slowing sharply. Like other emerging markets we were affected by the looming recession in advanced economies. Our government has, however, adopted a macroeconomic framework and fiscal stance capable of withstanding tough times and protecting the economy during times of global economic turbulence. The Stats SA resulted indicated that South Africa is slowly moving out of recession, however, it is anticipated that challenges caused by recession will take more just a year to re-instate as its impact will remain with South Africa for sometime. This has been evidenced by the continuing job losses and employee demands for higher wages and nationwide service delivery protests.

Newcastle Municipality, like and any other municipality, is still subjected to the impact from the global crisis as well as related ripple effects from national economy. The recent hikes in, to mention a few, electricity bulk purchases, fuel, interest rates and inability to feel critical positions in critical industries could not be interpreted in isolation of Newcastle Municipality and did therefore impact negatively on the 2012/13 budget and it will still have a huge effect on the 2013/14 medium term budget.

10.2 Budget Guidelines

The following is the extract of the budget guidelines as approved by the Council and which was utilised in preparing the 2012/2013 medium-term budget:

Item Description	2012/2013	2013/2014	2014/2015
Assessment Rates	6%	6%	6%
Electricity tariffs	NERSA	NERSA	NERSA
Water tariffs	6%	6%	6%
Sanitation tariffs	6%	6%	6%
Refuse tariffs	6%	6%	6%
Salaries and allowances	10%	10%	10%
Repairs and Maintenance	10%	10%	10%
General Expenses	4%	4%	4%

Although the guideline did not specify an increase on electricity tariffs, however, electricity tariffs and purchases were proposed to increase by 11.03% and 13.5% based on the final NERSA resolution. All other tariffs, except for electricity, will be increased by only 7% in order to absorb the shortfall on the increase in the electricity purchases.

11. OVERVIEW OF FUNDING THE BUDGET (Including fiscal overview and sources of funding)

11.1 Financial Performance Current Year 2011/2012

The adjustment budget was tabled to the Executive Committee and the Council on the 27 January 2012 and 29 February 2012 respectively. The Mid-year budget review process indicated the need to adjust the 2011/12 budget, which adjustment budget was prepared and approved by Council. A snap short of the current year's adjustment budget by vote is as follows:

OPERATING ADJUSTMENT BUDGET: 2011/12

DEPARTMENT	2011/2012	2011/2012	2011/2012
	ORIGINAL BUDGET	ACTUALS 31.12.2012	ADJUSTED BUDGET
BUDGET & TREASURY OFFICE	-181 831 055.00	-102 050 351.75	-182 371 844.22
COMMUNITY SERVICES	-91 645 692.00	-52 284 130.10	-91 490 701.67
CORPORATE SERVICES	-113 224 014.00	-86 071 970.47	-113 859 101.30
MUNICIPAL MANAGER	-282 340.00	-66 169.99	-132 340.00
PLANNING & DEVELOPMENT	-3 528 528.00	-5 218 729.41	-14 227 625.52
TECHNICAL SERVICES	-874 563 804.00	-396 503 861.64	-822 742 317.15
TOTAL REVENUE	-1 265 075 433.00	-642 195 213.36	-1 224 823 929.86

BUDGET & TREASURY OFFICE	33 352 607.00	12 845 693.04	34 299 781.30
COMMUNITY SERVICES	215 563 806.00	87 969 565.10	203 427 829.69
CORPORATE SERVICES	108 183 906.00	43 663 767.90	110 920 774.96
MUNICIPAL MANAGER	31 692 190.00	11 175 414.29	32 017 994.60
PLANNING & DEVELOPMENT	38 467 230.00	18 403 715.42	41 856 045.67
TECHNICAL SERVICES	1 051 291 282.00	449 764 418.21	994 419 026.00
TOTAL EXPENDITURE	1 478 551 021.00	623 822 573.96	1 416 941 452.23
OPERATING DEFICIT	213 475 588.00	-18 372 639.40	192 117 522.37

OCAPITAL ADJUSTMENT BUDGET: 2011/12

DEPARTMENT	2011/2012	2011/2012	2011/2012
	ORIGINAL BUDGET	YTD ACTUAL 09.02.2012	ADJUSTED BUDGET
BUDGET & TREASURY OFFICE	2 000 000	1 803 073	8 132 417
COMMUNITY SERVICES	13 724 000	6 377 765	24 757 122
CORPORATE SERVICES	36 715 500	8 997 295	38 941 776
MUNICIPAL MANAGER	-	27 442	150 405
PLANNING & DEVELOPMENT	33 350 000	16 271 803	50 486 337
TECHNICAL SERVICES	124 386 250	59 588 019	180 465 168
TOTAL CAPITAL EXPENDITURE	210 175 750	93 065 396	302 933 224

11.2 Funding of the 2012/13 Medium-Term Budget

The operating budget of Newcastle Municipality for the 2012/13 financial year will be funded from rates, tariffs, sundry charges and grants and subsidies. Assessment rates and electricity are expected to generate R163.1 million and R502.2 million respectively, while water, sewer and refuse are expected to generate R135.5, R78.3 and 63.5 million respectively. All these tariffs are expected to generate the operating revenue of R943.3million to the Municipality. Electricity tariffs alone represent about 25.2% of the total operating revenue.

The summary of tariff increases for 2012/2013 is as follows:

➤ Rates	:	7%
➤ Electricity	:	11.03%
➤ Refuse removal services	:	7%
➤ Water	:	7%
➤ Sanitation	:	7%

Increases in the individual tariffs applicable to the above services are detailed in the Tariff of Charges attached hereto, together with other proposed sundry tariffs. Sundry tariffs are expected to generate only about R14.7 million, which is about 1% of the total revenue.

Grants in the amount R352.2 million have been appropriated in the medium-term operating budget to fund the operation budget. Only R235.4 million of the equitable will be used to fund the operating budget while other conditional grants have been appropriated for their specific purposes in terms of the Division of Revenue Act.

The following issues were the challenges in the appropriation of funds when preparing the 2012/13 draft budget:

- Initiatives to improve the current payment factor
- Requirement with regard to upgrading and maintenance of existing roads and other service networks
- Departmental requirements regarding the filling of critical and vacant positions not previously budgeted for
- Provision for depreciation of assets, taking cognisance that the asset register was reviewed in the 2010/11 financial year
- Provision for Council's liability to reserves

The following is the example of estimated monthly residential rate and tariff per area for the 2012/13 financial year.

AREA	2011/2012	2012/2013
Newcastle	Average Property	Average Property
	542 973.00	542 973.00
Rates	374.27	400.47
Refuse	81.70	87.42
Electricity Basic	112.75	125.19
Electricity Consumption	475.11	527.51
Water Availability	29.10	31.14
Water Consumption	197.53	211.36
Sewer Availability	139.82	149.61
Vat	145.04	158.51
Total	1 555.33	1 691.21
Madadeni	Average Property	Average Property
	99 749.00	99 749.00
Rates	60.08	64.28
Refuse	81.70	87.42
Water Availability	29.10	31.14
Water Consumption	197.53	211.36
Sewer Availability	139.82	149.61
Vat	62.74	67.13
Total	570.98	610.95
Osizweni	Average Property	Average Property
	82 832.00	82 832.00
Rates	48.08	51.45
Refuse	81.70	87.42
Water Availability	29.10	31.14
Water Consumption	197.53	211.36
Sewer Availability	139.82	149.61
Vat	62.74	67.13
Total	558.99	598.12
Charlestown	Average Property	Average Property
	108 328.00	108 328.00
Rates	-	-
Refuse	81.70	87.42
Water Availability	29.10	31.14
Water Consumption	197.53	211.36
Sewer Availability	139.82	149.61
Vat	62.74	67.13
Total	510.91	546.67

AREA	2011/2012	2012/2013
Ingagane	Avarage Property	Avarage Property
	410 109.00	410 109.00
Rates	280.08	299.69
Refuse	81.70	87.42
Water Availability	29.10	31.14
Water Consumption	197.53	211.36
Sewer Availability	139.82	149.61
Vat	62.74	67.13
Total	790.99	846.36
Kilbarchan	Avarage Property	Avarage Property
	297 092.00	297 092.00
Rates	199.97	213.97
Refuse	81.70	87.42
Water Availability	29.10	31.14
Water Consumption	197.53	211.36
Sewer Availability	139.82	149.61
Vat	62.74	67.13
Total	710.87	760.63
KwaMathukuza	Avarage Property	Avarage Property
	42 615.00	42 615.00
Rates	19.58	20.95
Refuse	81.70	87.42
Water Availability	29.10	31.14
Water Consumption	197.53	211.36
Sewer Availability	139.82	149.61
Vat	62.74	67.13
Total	530.48	567.61

Assumptions made with regard to:

- Water consumption : 28 kl per month
- Electricity consumption : 750 kWh per month
- Property values : Average values per area, as per valuation roll, have been used

(Note: The first R15,000 of all properties is exempt from rates in terms of the rates policy)

11.3 Funding of 2012/13 Medium-Term Capital Budget

In line with section 18 of the MFMA, the capital budget has been funded from the following funding sources:

Grants: National Government	R 90.0 million
Grants: Provincial Government	R 9.0 million
Equitable Share (capital portion)	R 35.0 million
Accumulated Surplus (cash-backed)	R 91.6 million
External Loans	R 113.3 million

11.4 Investments

Newcastle Municipality currently has investment portfolio worth about R416 million spread across various financial institutions. A portion of cash-backed investments (R35 million) will fund capital budget, while interest to be earned amounting to approximately R16.1 million will boost the operating revenue. A schedule of Municipal Investment is as per SA16 of the Schedule A.

11.4 National and Provincial Government Transfers

The National and Provincial grants allocation will be used to fund larger portions of the operating and as well as capital budgets. These have been gazetted in terms of the 2011 Division of Revenue Act. For Grant allocations to Newcastle Municipality, please refer to SA18 of Schedule A.

11.5 New Borrowings

Certain major projects amounting to R113.3 million will be funded from external loans. These includes amongst others, the construction of the Civil Centre and a number of electricity projects. For a schedule of municipal existing and planned loans, please refer to SA17 of Schedule A.

12. EXPENDITURE ON ALLOCATIONS AND GRANT PROGRAMMES

Grants and subsidies from National and Provincial governments, as reported in the 2011 Division of Revenue Act as reflected in SA 19, have been included in the 2012/13 budget and each allocation will be utilised for the purpose as described below.

12.1 National Grant Allocations

12.1.1 Equitable Share

The equitable share is an unconditional grant and as such can be regarded as general revenue, however, it is a matter of co-operative governance that municipalities should prioritise its expenditure budget towards poor households and national priorities like free basic services.

Reform in the local government grants system for 2005/2006 saw the introduction of new equitable share formulae for local government. The change in formulae resulted in a substantial increase in equitable share allocation.

The R270.4 million equitable share has been allocated as follows:

Rates: Indigent Support	R 10.4 million
Free Basic Electricity	R 5.5 million
Free Basic Water	R 8.8 million
Sewer: Indigent Support	R 16.9 million
Refuse: Indigent Support	R 20.8 million
Resealing of Roads	R 13.0 million
Tariff Subsidisation	R159.7 million
Capital Projects	R 35.0 million

12.1.2 Municipal Infrastructural Grant (MIG)

The Municipal Infrastructural Grant (MIG) is entering its seventh year of implementation in the 2010/2011 financial year. It resulted from the consolidation of various capital grants for municipal infrastructure (CMIP, Water Services Projects, CBPWP, LEDF, BSRP and the Urban Transport Fund) into a new funding arrangement.

The Municipal Infrastructural Grant is a conditional grant which gives effect to national objectives to:

- Expand the delivery of basic services to all households, including the delivery of free basic services to poor households and other poverty alleviating objectives.
- Stimulate local economic development and job creation over the medium term.

The MIG funding will be utilised for the construction and upgrading roads and sewer projects in areas falling within Newcastle Municipality. It should be noted that Council is required to counter fund some of the projects.

12.1.3 Finance Management Grant

The Finance Management Grant is a capacity building grant provided by National Treasury to assist municipalities in building management planning, technical and financial management skills and capacity for effective service delivery.

It will be utilised for the upgrading of skills and capacity of Newcastle Finance officials for workshops and training programmes, funding financial programmes with a view to capacitate financial systems, as well as for the remuneration of the interns currently employed by the municipality and cover costs of their training and its facilities. There are currently four interns employed, and the activities are in place to appoint the fifth one, as per National Treasury guide.

12.1.4 Water Operating Subsidy

The Water Operating Subsidy is the capital grant provided by the Department of Water Affairs and Forestry to subsidise water schemes owned and/or operated by the department or other agencies on behalf of the department. Projects funded through this grant are implemented by the uThukela Water (Pty) Ltd but Newcastle Municipality will only administer the funds of the project(s).

12.1.5 Municipal Systems Improvement Grant

This grant is provided by the Department of Cooperative Governance and Traditional Affairs to assist municipalities to build in-house capacity to perform their functions and stabilise institutional and governance systems as required in the Local Government Systems Act, 2000 and other related legislation.

The grant may be apportioned for, depending on the submitted and approved activity plan, the engagement of ward committees, IDP review processes, implementation of Municipal Property Rates Act and GRAP conversion requirements

12.1.6 Neighbouring Development Partnership

This grant was established by National Treasury to support neighbouring development projects that provide community infrastructure and create the platform for other public and private sector development, towards improving the quality of life of residents in targeted underserved neighbourhoods, generally townships.

The Technical Assistance Grant aims at supporting the development of township development plans. This is an indirect grant and not be transferred directly to Newcastle Municipality. The Capital Grant aims at supporting nodal investment into the construction or upgrading of community facilities, which may attract private sector investment. This is an indirect allocation which will be transferred by National Treasury directly to the service provider or the implementing agent.

12.1.7 National Electrification Programme (Eskom)

The National Electrification Programme grant is transferred by the Department of Minerals and Energy directly to Eskom to implement integrated electrification programmes by

addressing electrification backlogs of permanently occupied residential dwellings, the installation of bulk infrastructure and rehabilitation of electrification infrastructure.

Hence, the grant will be transferred to Eskom to address the electrification infrastructure backlog within the jurisdiction of Newcastle Municipality.

12.2 Provincial Grant Allocations

12.2.1 Museum subsidy

The funding is made available by KZN Premier's office to provide strategic financial support to municipalities with a focus on the development and maintenance of museums and care and preservation of cultural heritage.

12.2.2 Joint Project Funding

The Joint Project Funding is a grant which will be allocated as a result of the agreement between Newcastle Municipality and the Department of Economic Development to support the construction of call a centre in Newcastle as it is believed that this initiative will improve economic development and job creation in Newcastle.

12.2.3 Clinics

This is the annual subsidy provided by the Health Department subsidise the primary health care for personal health service provided by the Municipal Clinic.

12.2.6 Environmental Health

The funding is made available by the Department of Health to provide support to municipalities in KwaZulu Natal to assist them in providing efficient and effective service delivery in environmental health. The subsidy is for covering personnel costs and sampling for testing.

12.2.7 Cleanest Town Competition

This subsidy is provided to Municipalities who had been nominated to have achieved the Cleanest Town Competition.

12.2.8 Library Recapitalisation

The subsidy is provided to improve library services.

13 ALLOCATIONS AND GRANTS MADE BY NEWCASTLE MUNICIPALITY

None. Also refer to SA of Schedule A.

14. COUNCILLOR ALLOWANCES AND EMPLOYEE BENEFITS

Please refer to SA22 and SA23 of Schedule A

15. MONTHLY TARGETS FOR REVENUE, EXPENDITURE AND CASH FLOWS

Please refer to SA25, SA26 and SA27 of the Schedule A

16. ANNUAL BUDGET AND SERVICE DELIVERY AND BUDGET IMPLEMENTATION PLAN – INTERNAL DEPARTMENTS

The Service Delivery Implementation Plans are still at draft stages and preparation and will be submitted within 14 days of the budget approval, as per MFMA.

17. ANNUAL BUDGET AND SERVICE DELIVERY AGREEMENTS – MUNICIPAL ENTITIES AND OTHER EXTERNAL MECHANISMS

16.1 Municipal Entities

The agreement in currently in force in the following brief details:

- (a) Name of Entity : Uthukela Water (Pty) Ltd
- (b) Period of agreement : 30 years
- (c) Service provided : Water and sanitation
- (d) Expiry date : 24 May 2034

The Entity is currently under Provincial Administration and being investigated in terms of section 78 of the Municipal Systems Management Act, 32 of 2000.

16.2 Other Agreements

The service delivery agreement with Bigen Africa (Pty) Ltd to perform the Debt Collection and Credit Control function of the Municipality expired on 1 July 2007. Council, however, resolved to extend the contract on a month to month basis.

The Council will have to assess all options available with regard to the continuation of the function ensuring that all processes currently in place are not disturbed. Should the legal and non-legal processes not continue, the negative impact on the cash flow of the Municipality will filter through to the level of service delivery supplied by Council. This will be addressed once the revenue enhancement strategies have been identified.

18. CONTRACTS HAVING FUTURE BUDGETARY IMPLICATIONS

It is envisaged at this stage that no contract will have budgetary implications beyond a period of three years. The contract between the Newcastle Municipality and the Water Service Provider, Uthukela Water, is still in the hands of Provincial Executive for the Department of Cooperative Governance and Traditional Affairs.

No other contracts, which will have budgetary implications beyond a period of three years, have been provided for in the 2012/13 medium-term budget.

19. CAPITAL EXPENDITURE DETAILS

Please refer to A5 SA36 of Schedule A

20. LEGISLATION COMPLIANCE STATUS

19.1 Municipal Finance Management Act

The Municipal Finance Management Act, No. 56 of 2003 came into effect on 1 July 2004. The Newcastle Municipality was identified as a High Level Municipality, and as such had the responsibility of implementing the Act with few exemptions/delays allowed. The following main processes have been implemented in terms of the Municipal Finance Management Act:

- The budget process.
- Supply Chain Management.
- Conversion of Financial Statements to GAMAP/GRAP.
- Financial in-year reporting.
- Adjustment budgeting
- Annual reporting.
- Compilation and implementation of various policies.
- Compilation of procedural notes for main financial accounting processes.
- The budget and Treasury office has been established in accordance with the requirements
- Service Delivery and Budget Implementation plans are applied as monitoring tools
- Audit Committee has been established

19.2 Municipal Property Rates Act

The 2008/09 was a challenging budget year for Newcastle Municipality, with 01 July 2009 being the compulsory date of first implementation of the Act and drafting of the rates policy. To this end, the municipality is currently implementing the approved policy and has produced three further valuation rolls. The objective process has been finalised and Municipality is busy with the two appeals.

19.3 Municipal Budget and Reporting Regulations

Although challenges are still experienced in populating the new Schedule A templates, but Newcastle Municipality is not in a position to comply with Municipal Budget and Reporting Regulation. 2012/13 is a 3rd year of the implementation by Newcastle Municipality, and the recent capacitation of the Budget and Treasury Office proves that in the near future, Newcastle Municipality will be fully compliant.

19.4 Other Legislation

Newcastle Municipality has complied with a number of other legislations, including the Local Government Municipal Systems Act, gazettes and circulars issued by Treasuries on a continuous basis.

21. ANNUAL BUDGET OF MUNICIPAL ENTITY ATTACHED TO THE MUNICIPALITY'S ANNUAL BUDGET

The budget of the Entity Uthukela is attached hereto for Council consideration. The approved operating budget for the Entity amounts to R119 million. Additional funding amounting to R10.3 million has also been provided to fund the Entity's finance charges of the loan that will be taken to address water infrastructure problems, and water interruption recently experienced in the jurisdiction of Newcastle.

MUNICIPAL MANAGER'S QUALITY CERTIFICATE



I, **K Masange**, Municipal Manager of **Newcastle Municipality**, hereby certify that the annual budget and supporting documentation of the 2012/2013 Operating and Capital Budget have been prepared in accordance with the Municipal Finance Management Act, 56 of 2003, and the regulations made under the Act, and that the annual budget and supporting documents are consistent with the Integrated Development Plan of the municipality.

Print Name : **KEBONE MASANGE**

Municipal Manager of : **NEWCASTLE MUNICIPALITY**

Signature :

Date :